FILE

OCC EXHIBIT
IJI J. P.AHIKI I

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

Consolidated Duke Energy Ohio, Inc. Rate)	
Stabilization Plan Remand and Rider)	Case Nos. 03-93-EL-ATA
Adjustment Cases.)	03-2079-EL-AAM
•)	03-2080-EL-ATA
)	03-2081-EL-AAM
)	05-724-EL-UNC
)	05-725-EL-UNC
)	06-1068-EL-UNC
)	06-1069-EL-UNC
•)	06-1085-EL-UNC

PUBLIC

PREPARED TESTIMONY

of

BETH E. HIXON

ON BEHALF OF THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

10 West Broad St., Suite 1800 Columbus, OH 43215

Date: March 9, 2007

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1	I.	INTRODUCTION
2		
3	<i>Q1</i> .	PLEASE STATE YOUR NAME, ADDRESS AND POSITION.
4	Al.	My name is Beth Hixon. My business address is 10 West Broad Street, Suite
5		1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
6		Consumers' Counsel ("OCC" or "Consumers' Counsel") as Assistant Director of
7		Analytical Services.
8		
9	Q2.	WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND
10		PROFESSIONAL HISTORY?
1	A2.	I received a Bachelor of Business Administration degree in accounting from
12		Ohio University in June 1980. For the period June 1980 through April 1982, I
13		was employed as an Examiner in the Field Audits Unit of the Ohio
14		Rehabilitation Services Commission ("ORSC"). In this position I performed
15		compliance audits of ORSC grants to, and contracts with, various service
16		agencies in Ohio.
17		
18		In May 1982, I was employed in the position of Researcher by the OCC. In
19		1984, I was promoted to Utility Rate Analyst Supervisor and held that position
20		until November 1987 when I joined the regulatory consulting firm of Berkshire
21		Consulting Services. In April 1998, I returned to the OCC and have
22		subsequently held positions as Senior Regulatory Analyst, Principal Regulatory
) 2		Analyst and Assistant Director of Analytical Services.

1	<i>Q3</i> .	WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY
2		REGULATION?
3	A3.	In my positions with the OCC, and as a consultant with Berkshire Consulting
4		Services, I have performed analysis and research in numerous cases involving
5		utilities' base rates, fuel and gas rates and other regulatory issues. I have worked
6		with attorneys, analytical staff and consultants in preparation for, and litigation
7		of, utility proceedings involving Ohio's electric companies, the major gas
8		companies and several telephone and water utilities. At the OCC I also chair the
9		OCC's cross-functional internal electric and gas teams, participate and/or direct
10		special regulatory projects regarding energy issues and provide training on
11		regulatory technical issues.
12		
13	Q4.	HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE
14		REGULATORY COMMISSIONS?
15	A4.	Yes. I have submitted testimony before the Public Utilities Commission of Ohio
16		("PUCO" or "Commission") in the cases listed in Attachment 1. As shown on
17		this Attachment, I have also submitted testimony in a case before the Indiana
18		Utility Regulatory Commission.
19		

1	Q5.	WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF
2		YOUR TESTIMONY?
3	A5.	I reviewed various documents from Duke Energy Ohio's Case No. 03-93-EL-
4		ATA and the cases consolidated with that case for hearing and decision in 2004.
5		("Post-MDP Service Case") Since the Post-MDP Service Case began when the
6		regulated electric distribution utility now known as Duke Energy Ohio was
7		known as Cincinnati Gas & Electric I will refer to that utility in my testimony as
8		either Duke Energy Ohio ("DE-Ohio") or Cincinnati Gas and Electric. ("CG&E")
9		Documents from the Post-MDP Service Case which I reviewed include the
10		PUCO's December 9, 2003 Entry, September 29, 2004 Opinion and Order and
11		November 23, 2004 Entry on Rehearing and various CG&E filings in the case.
12		From the portion of the current case after the remand from the Supreme Court of
13		Ohio in 2006 ("Post-MDP Remand Case") I have reviewed responses to OCC
14		discovery issued after the Remand, documents provided pursuant to subpoenas by
15		the OCC and transcripts of depositions taken by the OCC.
16		
17	II.	PURPOSE OF TESTIMONY
18		
19	Q6.	WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
20		PROCEEDING?
21	A6.	The purpose of my testimony is to bring to the attention of the Commission
22		certain side agreements and arrangements
22		

1		
2		
3		I
4		recommend the Commission review and take into consideration these side
5		agreements in this Post-MDP Remand Case.
6		
7	III.	CASE OVERVIEW POST-MDP SERVICE AND POST-MDP REMAND
8		
9	Q 7.	WHEN DID THIS CASE COMMENCE?
10	A7.	PUCO Case No. 03-93-EL-ATA was initiated when CG&E filed an Application
11		on January 10, 2003 to modify its non-residential generation rates to provide for
12		market-based standard service offer pricing and to establish an alternative
13		competitive-bid service rate option subsequent to the market development period
14		This 2003 CG&E proposal for a competitive bidding process ("CBP") and a
15		market-based standard service offer ("MBSSO") were collectively described as a
16		Competitive Market Option ("CMO"). Numerous parties and the Commission's
17		staff ("Staff") filed comments in March and April 2003 on CG&E's proposals.
18		
19		On December 9, 2003, the Commission issued an entry that, among other things,
20		consolidated various pending matters regarding CG&E and requested that CG&E
21		file a "rate stabilization plan" ("RSP") in keeping with the Commission's policy

¹ January 2003 Application at 1

² Entry at 5 (December 9, 2004).

1		statements regarding the post-MDP pricing of generation service by other utilities
2		in Ohio. In several electric cases, the PUCO established three goals for a rate
3		stabilization plan:
4		(1) rate certainty for consumers,
5		(2) financial stability for the utility and
6		(3) the further development of competitive markets ³
7		
8	Q8.	WHAT WAS CG&E'S RESPONSE TO THE PUCO'S DECEMBER 2003
9		REQUEST TO FILE AN RSP?
10	A8.	On January 26, 2004 CG&E filed an Electric Reliability and Rate Stabilization
11		Plan ("ERRSP") with the PUCO. CG&E asked the Commission to either (1)
12		adopt the Competitive Market Option filed by CG&E in January 2003, "consistent
13		with the language and intent of R.C. Chapter 4928," or (2) adopt the ERRSP
14		CG&E had just filed in January 2004, which contained rates for generation
15		service proposed by CG&E that included non-bypassable charges.4
16		
17	Q9.	HOW DID THE POST-MDP SERVICE CASE PROCEED AFTER JANUARY,
18		2004?
19	A9.	Following CG&E'S filing of its ERRSP, numerous parties moved to intervene in
20		this proceeding, a procedural schedule was set by the Attorney Examiner and
21		discovery was conducted by parties. CG&E submitted pre-filed testimony on

³ First Energy, Case No. 03-1461-EL-UNC, Entry at 4-5 (September 23, 2003); Cincinnati Gas & Electric, Case No. 03-93-EL-ATA, Order at 15 (September 29, 2004).

⁴ January 2004 Application at 8,10 and 11.

1		April 15, 2004 in which it described a "revised ERRSP." Staff filed testimony on
2		April 22, 2004 and intervenors, including the OCC, filed testimony on May 6,
3		2004.
4		
5		An evidentiary hearing began on May 17, 2004 but was subsequently delayed
6		when a stipulation was filed on May 19, 2004 ("Stipulation") in these cases that
7		described another plan of service ("ERRSP Stipulation Plan"). CG&E, the
8		PUCO's Staff, First Energy Solutions, Dominion Retail, Green Mountain Energy,
9		People Working Cooperatively, Communities for Action, Cognis, Kroger, the
10		Industrial Energy Users - Ohio ("IEU-Ohio"), the Ohio Energy Group ("OEG"),
11		and the Ohio Hospital Association ("OHA") executed the Stipulation. The IEU-
12		Ohio, OEG, and OHA are organizations whose members are major users of
13		electricity. The Ohio Marketers Group ("OMG," consisting of MidAmerican
14		Energy, Strategic Energy, Constellation Power Source, Constellation NewEnergy
15		and WPS Energy Services), PSEG Energy Resources, the National Energy
16		Marketers Association, Ohio Partners for Affordable Energy, the OCC and the
17		Ohio Manufacturers Association the latter two organizations representing broad
18		customer groups did not execute the Stipulation.
19		
20	Q10.	HOW DID THE FILING OF THIS STIPULATION IMPACT THE POST-
21		MDP SERVICE CASE?
22	A10.	The parties who did not execute the Stipulation were permitted a very short period
23		during which they could inquire into the Stipulation by means of discovery. The

1		OCC sought copies of side agreements between CG&E and other parties to the
2		Post-MDP Service Case, and CG&E refused to provide copies of such
3		agreements. The first witness appeared at hearing on May 20, 2004 (based on
4		pre-filed testimony not related to the Stipulation). The OCC began the hearing on
5		May 20, 2004 with an oral Motion to Compel Discovery of the side-agreements.
6		The Motion to Compel Discovery was denied. 5
7		
8		CG&E filed supplemental testimony on May 20, 2004 in support of the
9		Stipulation, and Staff Witness Cahaan submitted testimony supporting the
10		Stipulation on May 24, 2004. The OCC and OMG submitted testimony in
11		opposition to the Stipulation on May 26, 2004. The hearing resumed on May 26,
12		2004 (after two days in recess) for the presentation of the testimony by witnesses
13		for CG&E, the OCC, the OMG and the Staff.
14		
15	Q 11.	WHAT WERE THE MAJOR POST-HEARING LANDMARKS IN THESE
16		PROCEEDINGS?
17	A11.	The Commission's Order in the Post-MDP Service Case was issued on September
18		29, 2004, which approved the May 19, 2004 Stipulation with modifications and
19		conditions. Several parties, including CG&E and the OCC, filed applications for
20		rehearing on October 29, 2004. CG&E asked the PUCO to either i) approve its
21		original CMO proposal; ii) approve the May 19, 2004 Stipulation (i.e. unaltered
22		by the PUCO); or iii) approve a new alternative proposal rate plan ("Alternative

⁵ Tr. Vol. II at 9 - 15.

Proposal"). This Alternative Proposal had an array of new and different charges that had not been investigated or been subject to a hearing.

CG&E's Alternative Proposal was built on the four conditions placed by the PUCO on the Stipulation in its September 29, 2004 Order and introduced new charges and modified previously proposed charges. In a November 23, 2004 First Entry on Rehearing, the PUCO adopted (in principal part) the Alternative Proposal. The Commission ordered CG&E to make certain filings with the PUCO before some of the rate increases provided for in the Alternative Proposal could be placed into effect.

The OCC submitted its second application for rehearing, which was denied in a Second Entry on Rehearing dated January 19, 2005. The Commission's last action was an "Order on Rehearing" on April 13, 2005, that addressed the return pricing methodology for nonresidential shopping customers.

The OCC filed a Notice of Appeal on May 23, 2005. After argument before the Supreme Court of Ohio, the Court issued an opinion on November 22, 2006. The Court decided that the PUCO erred by failing to compel the disclosure of side agreements and erred by failing to properly support modifications to post-MDP rates and made in its entry on rehearing.⁶ The Court remanded the case for additional consideration by the Commission.

⁶ Ohio Consumers' Counsel v. Public Util. Comm., 111 Ohio St.3d 300, 2006-Ohio-5789 at ¶95 ("Consumers' Counsel 2006").

- An abbreviated timeline is illustrated by the chart below showing some of the key
- 2 activities in the Post-MDP Service Case which I have discussed.

Post-MDP Service Case:		
DE-Ohio (CG	&E) Case No. 03-93-EL-ATA et al	
Date	Filing/Event/Activity	
1/10/03	CG&E Competitive Market Option Application	
3/03 & 4/03	Comments on CG&E's CMO	
12/9/03	Entry requesting CG&E to file an RSP	
1/26/04	CG&E Proposed CMO or ERRSP Application	
3/9/04	Objections to CG&E proposed ERRSP	
5/17/04	Evidentiary hearing begins	
5/19/04	Stipulation between CG&E and parties filed	
5/20/04	Evidentiary hearing	
5/20/04	Supplemental Testimony of CG&E filed	
5/24/04	Supplemental Testimony of PUCO Staff filed	
5/26/04	Evidentiary Hearing	
5/26/04	Supplemental Testimony of Intervenors filed	
9/29/04	PUCO Opinion and Order	
10/29/04	Applications for Rehearing	
	(including CG&E's Alternative Proposal)	
11/23/04	First Entry on Rehearing	
12/27/04	Second Applications for Rehearing	
1/19/05	Second Entry on Rehearing	
4/13/05	Order on Rehearing on return pricing	
5/23/05	OCC Notice of Appeal to Supreme Court	
11/22/06	Supreme Court Order remanding to PUCO	

1	Q12.	WHAT HAS OCCURRED SUBSEQUENT TO THE SUPREME COURT'S
2		NOVEMBER 2006 DECISION IN THIS CASE?
3	A12.	On November 29, 2006, the Attorney Examiner issued an Entry in the above-
4		captioned cases ⁷ that provided for a "hearing to obtain the record evidence
5		required by the court" and ordered that a prehearing conference be held on
6		December 14, 2006.8 The above-captioned cases were consolidated ("Post-MDP
7		Remand Case"). A procedural Entry was issued on February 1, 2007 that, among
8		other matters, set a cut-off date for discovery and a hearing date for March 19,
9		2007.
10		
11	Q13.	HAS THE OCC'S DISCOVERY REVEALED ANYTHING SIGNIFICANT
12		THAT YOU BELIEVE SHOULD BE CONSIDERED BY THE
13		COMMISSION?
14	A13.	
15		
16		
17		
18		
19		

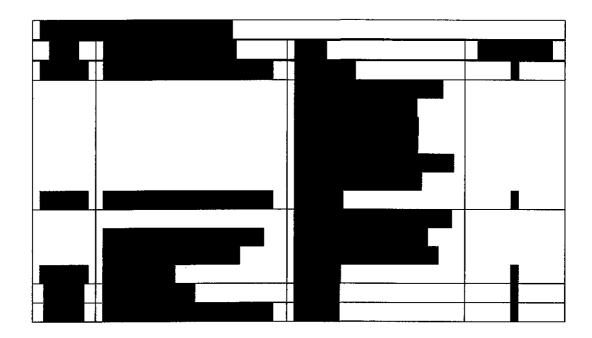
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⁷ The Commission's November Entry did not include Case No. 06-1068-EL-UNC regarding proposed FPP rate increases for 2007. Case No. 06-1068-EL-UNC was added by the Attorney Examiner during the prehearing conference conducted on December 14, 2006.

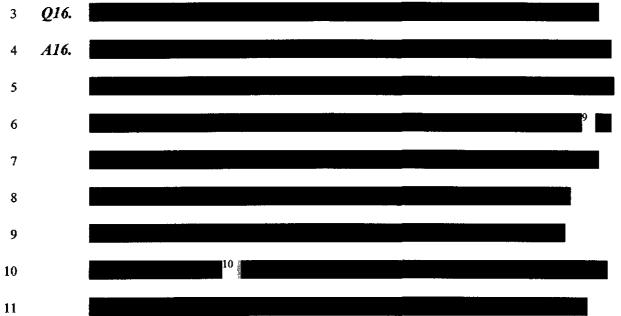
⁸ November Entry at 3, ¶(7).

IV. THE SIDE AGREEMENTS Q14. A14. Q15. A15.

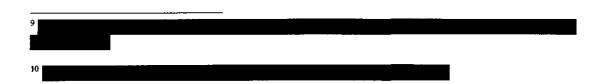
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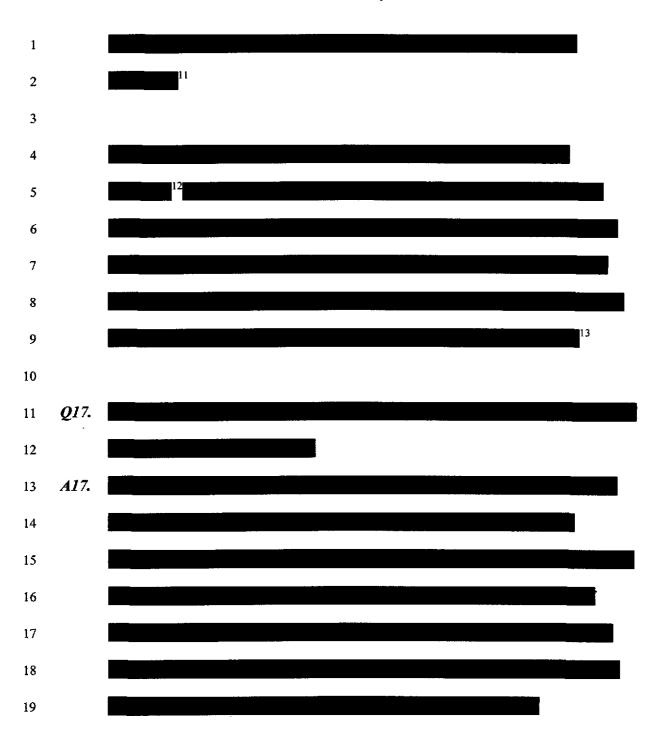


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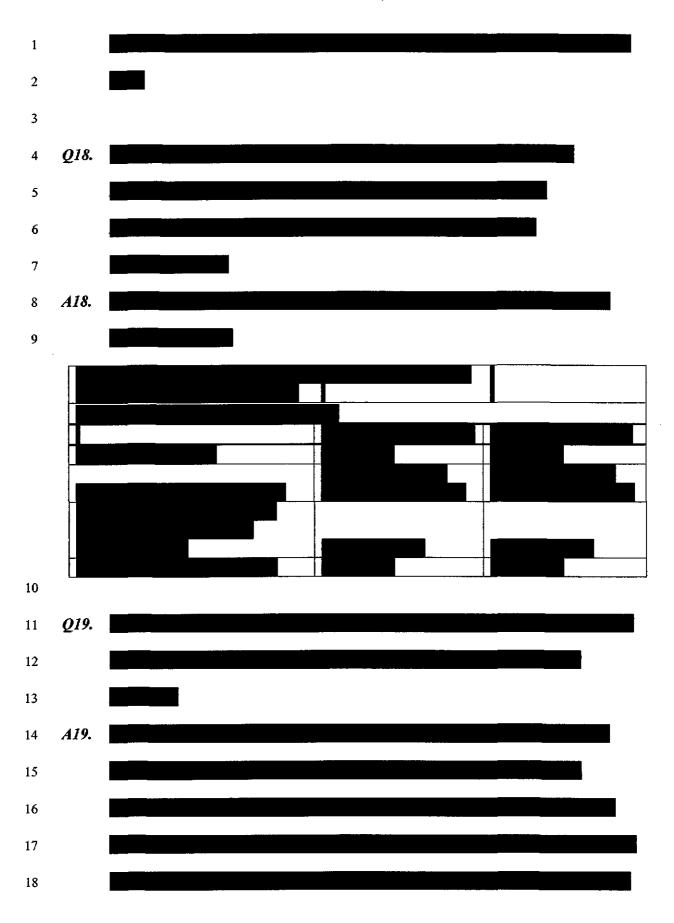


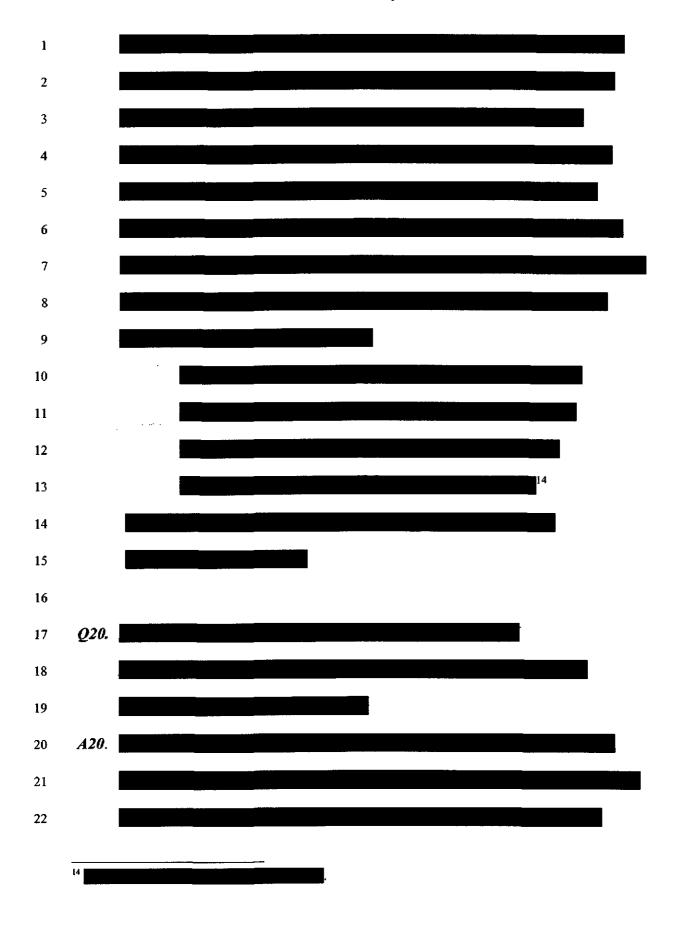
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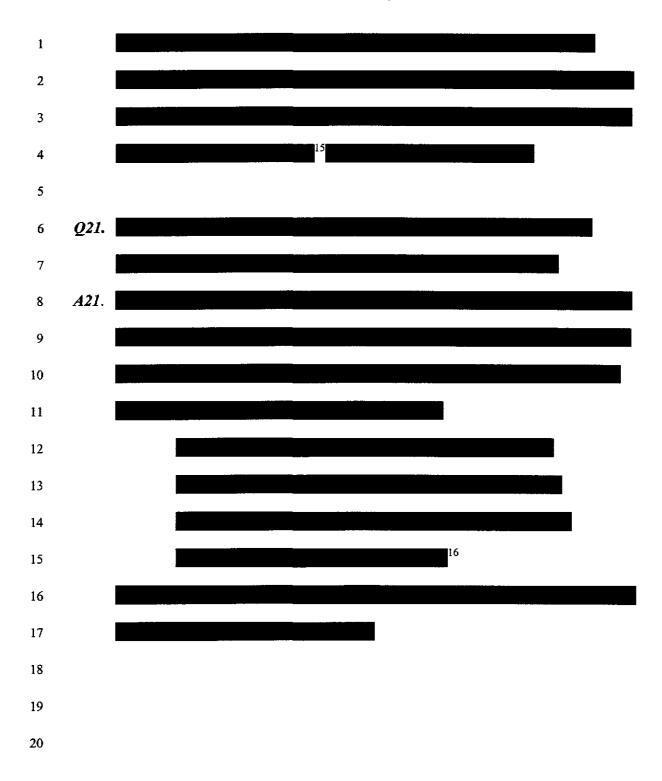




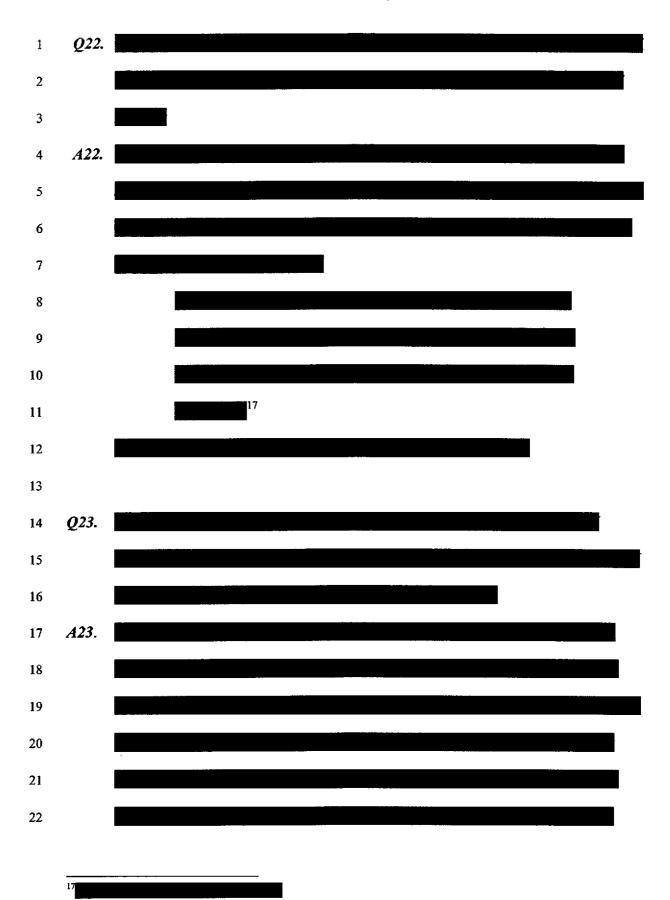


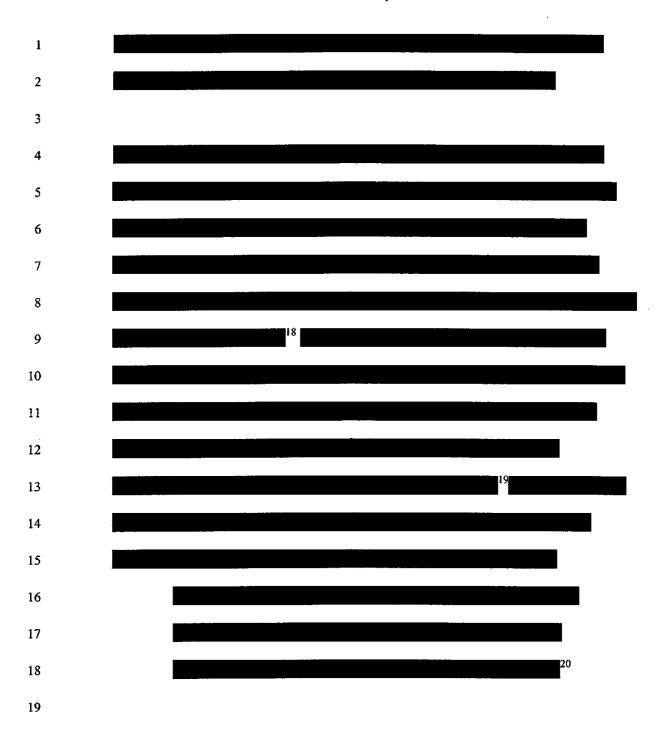


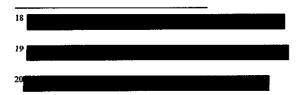


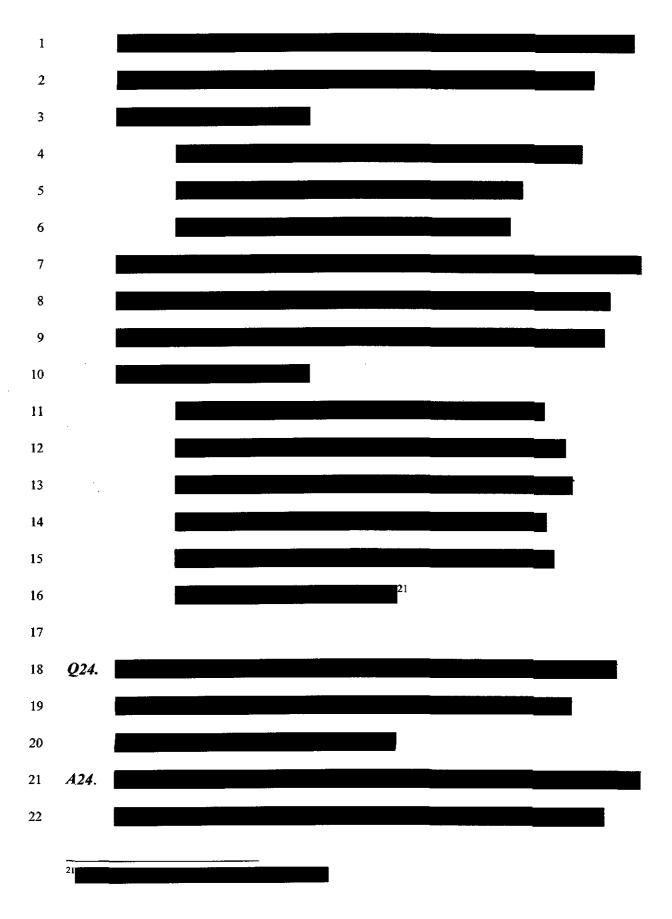


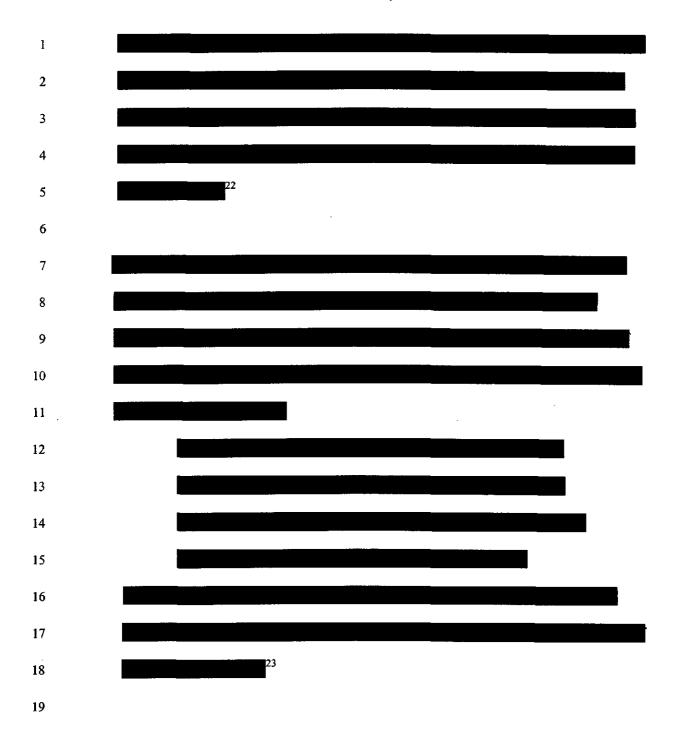
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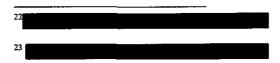


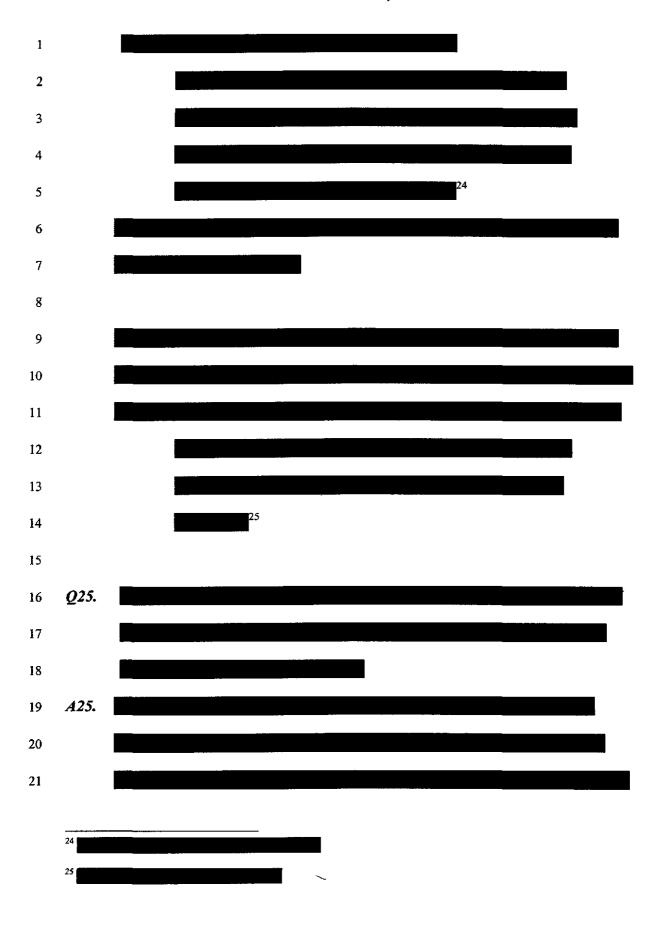


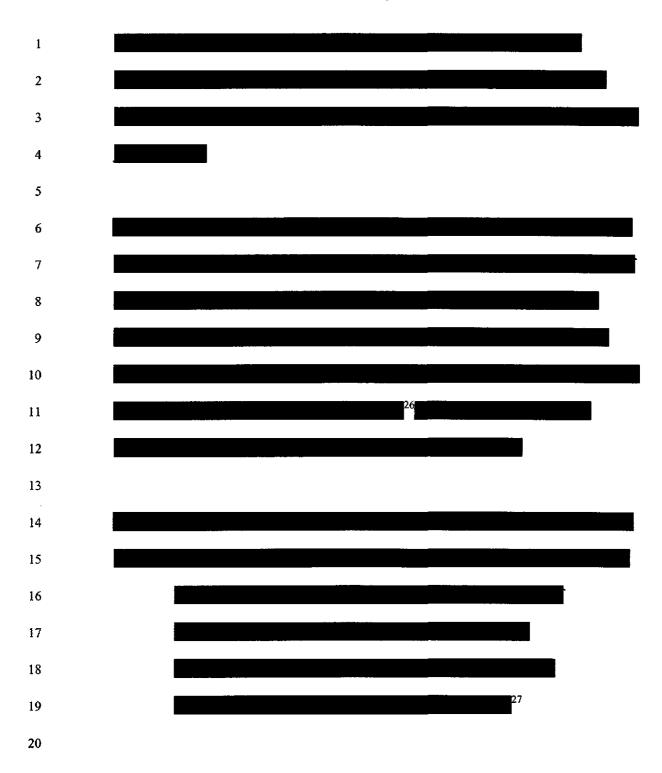




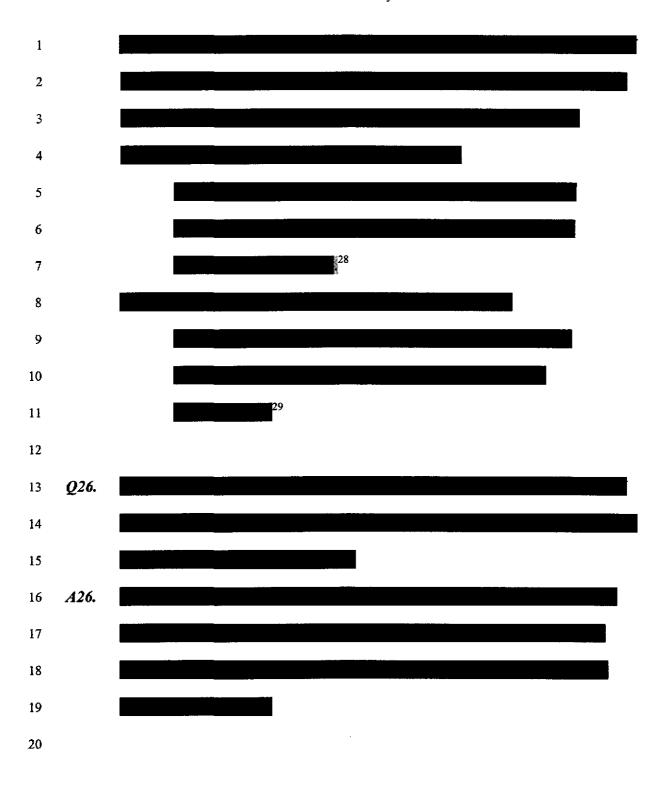


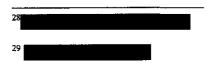


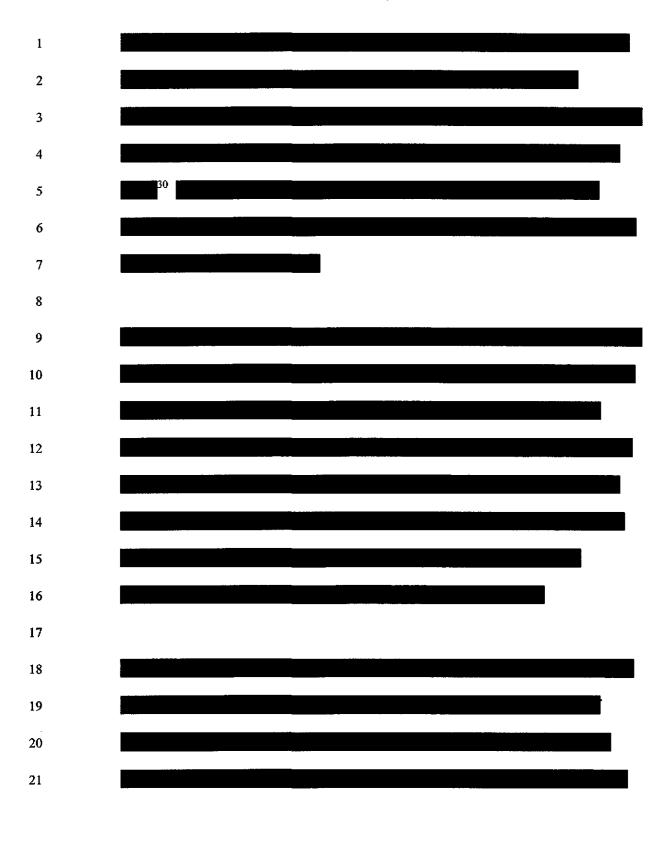




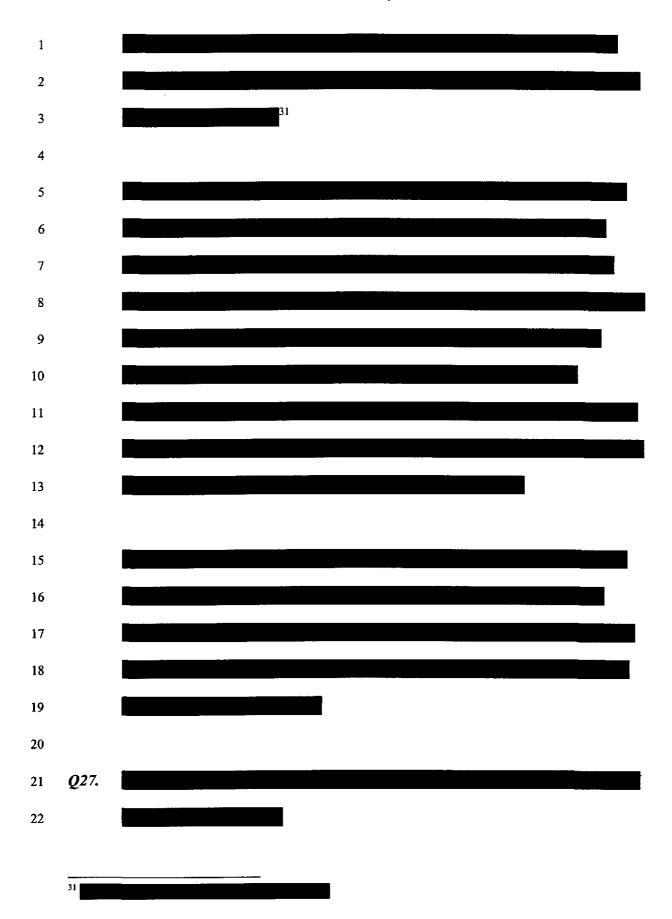


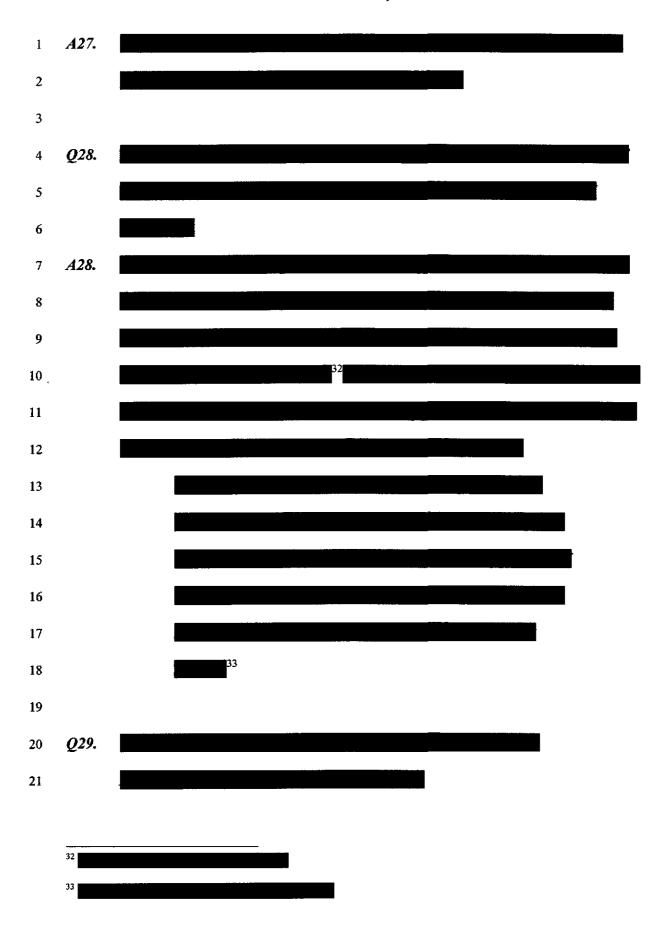


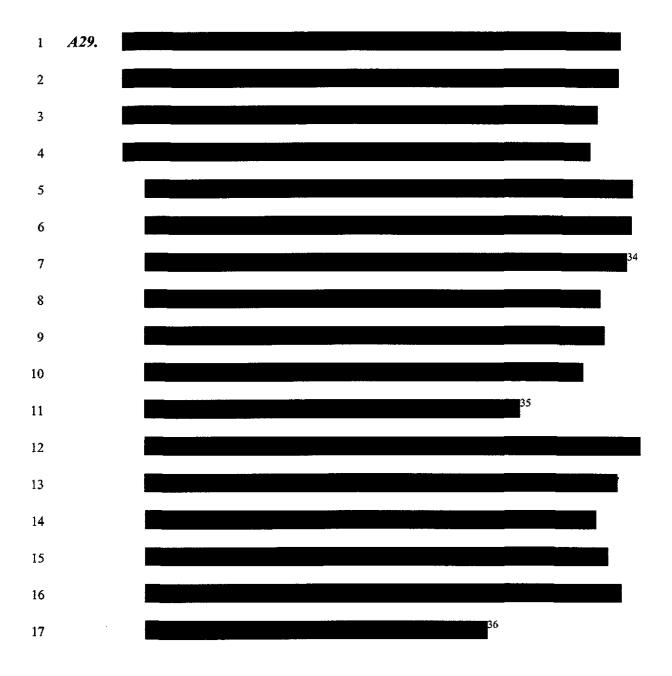


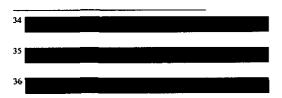


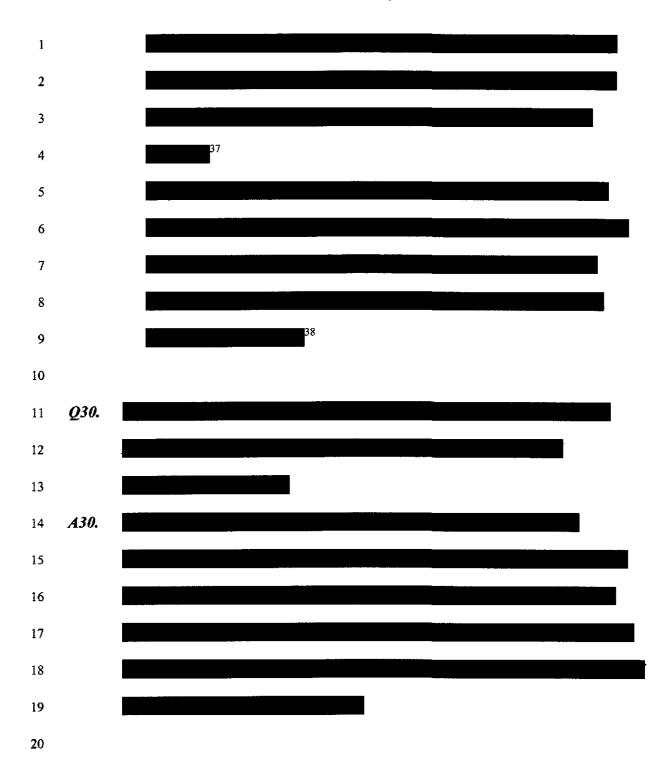


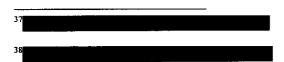


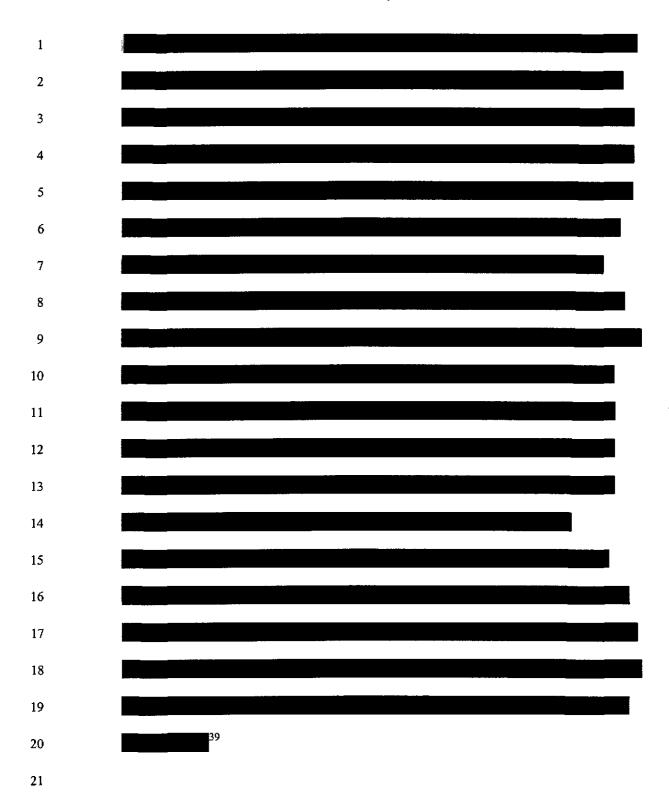




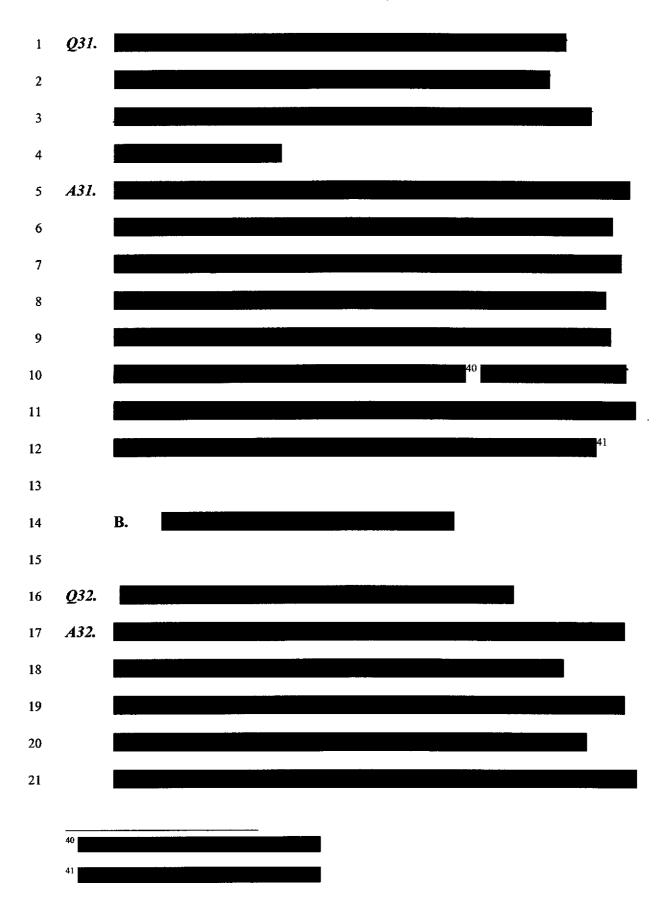


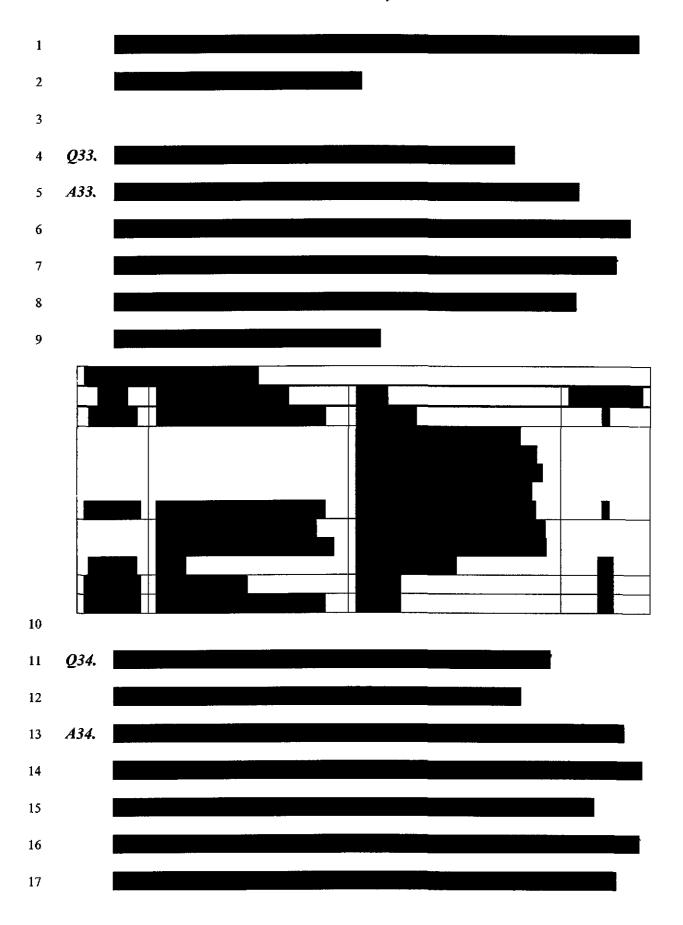


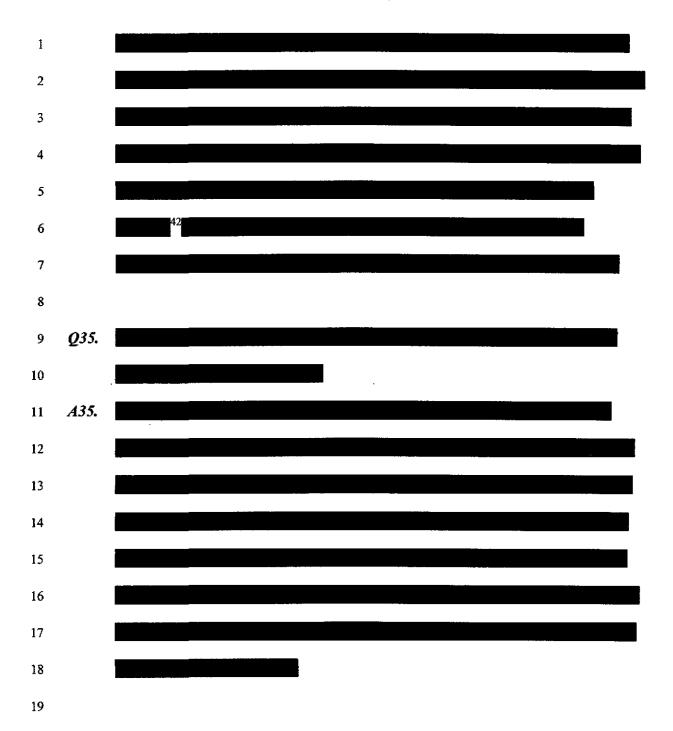




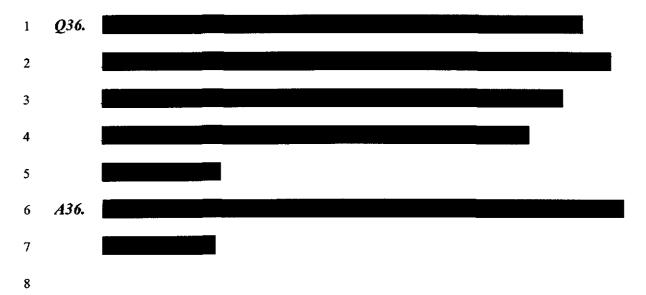
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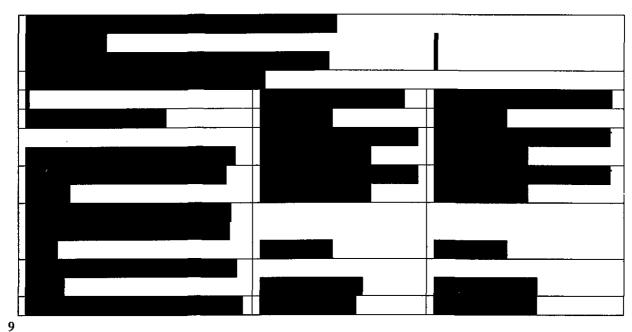


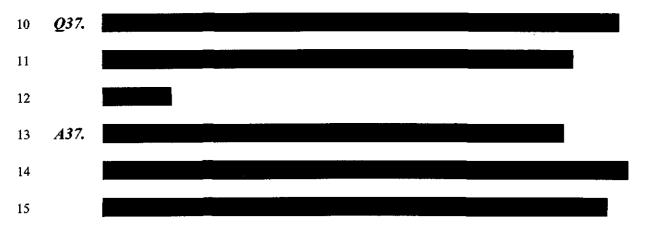


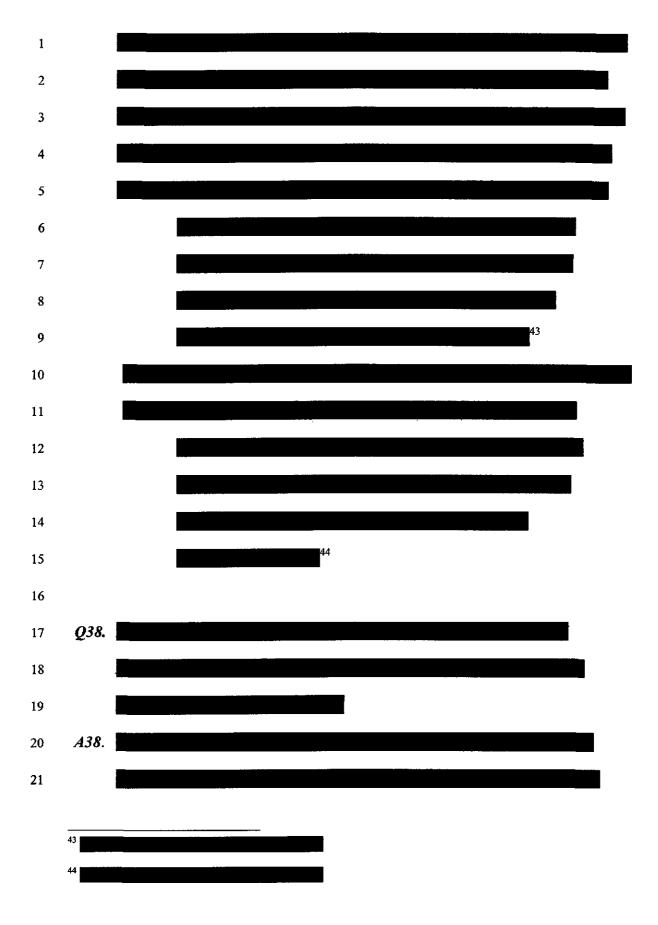


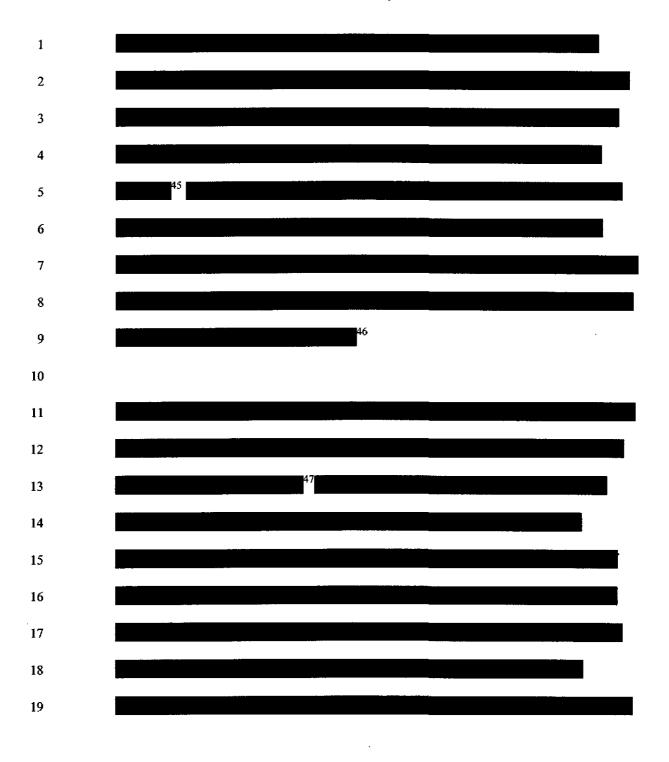


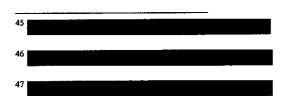


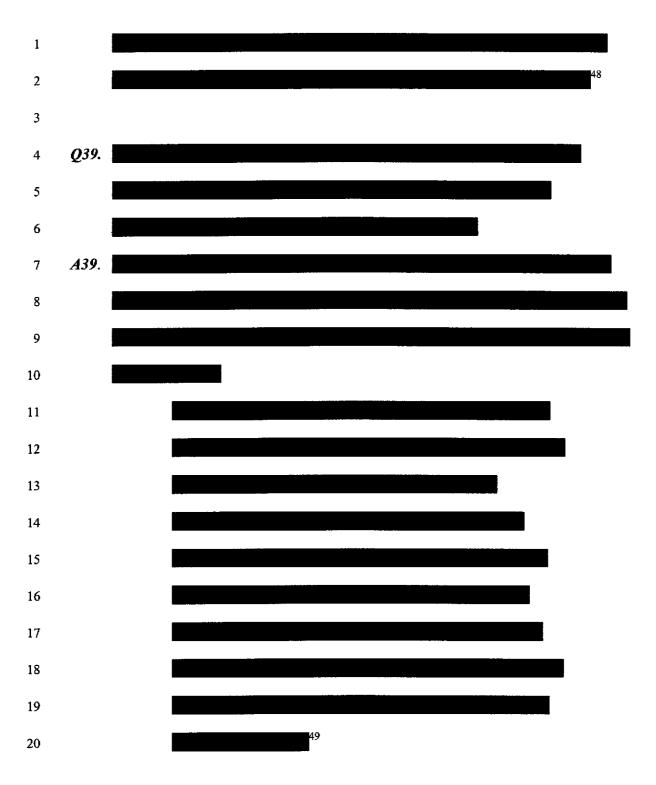


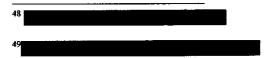


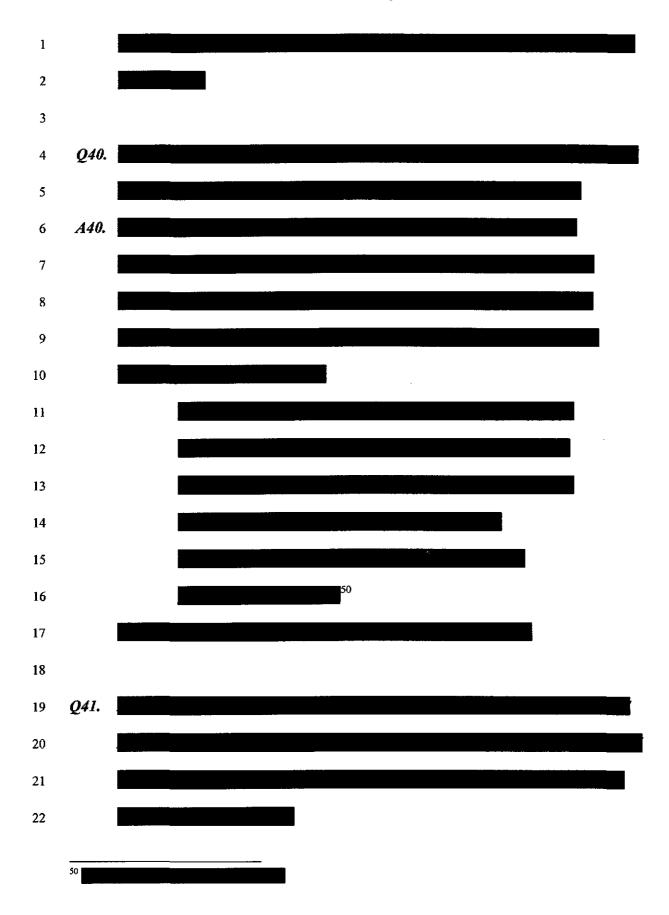


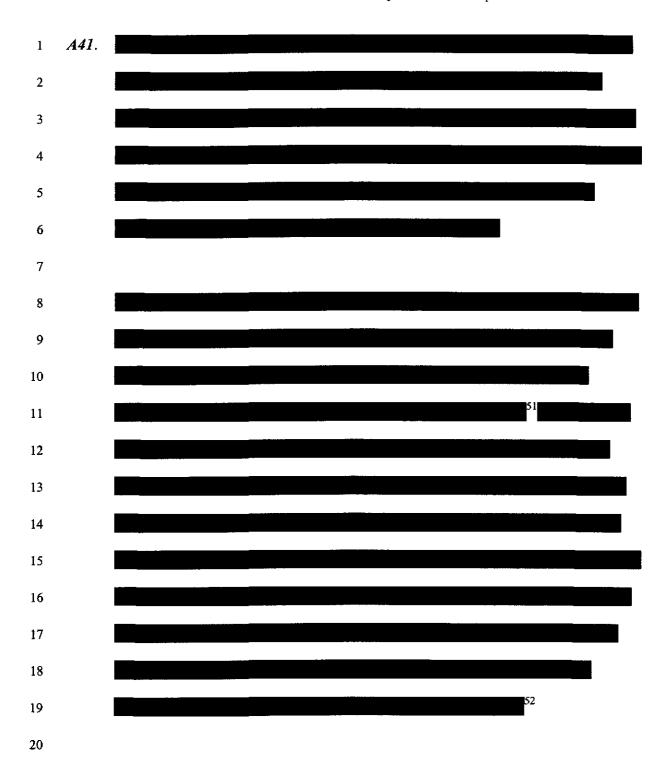


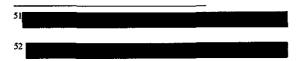


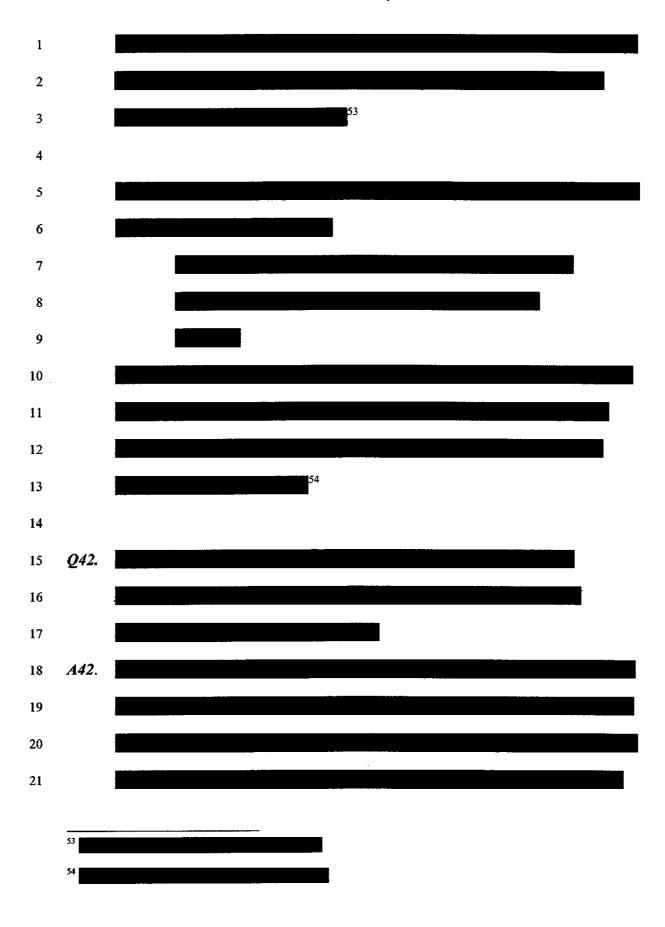


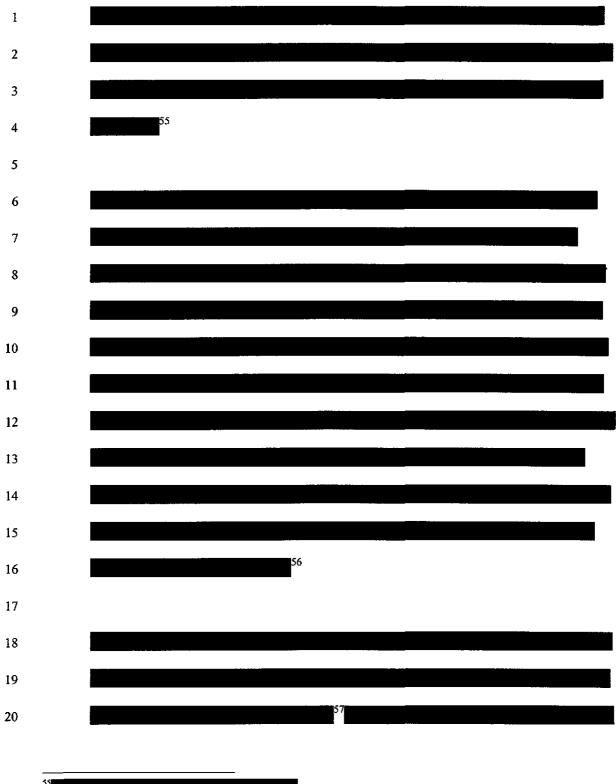


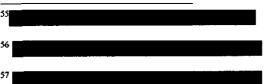


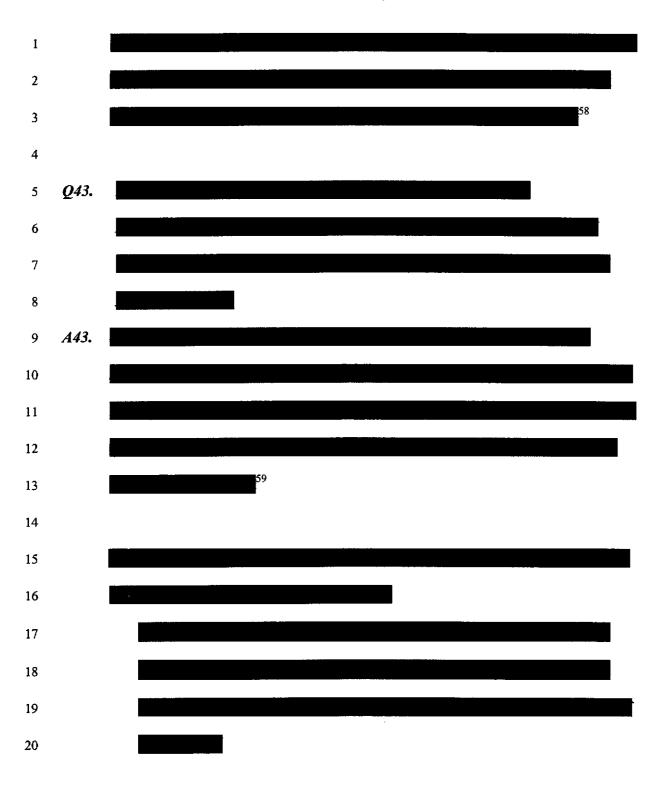


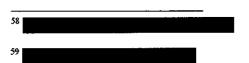


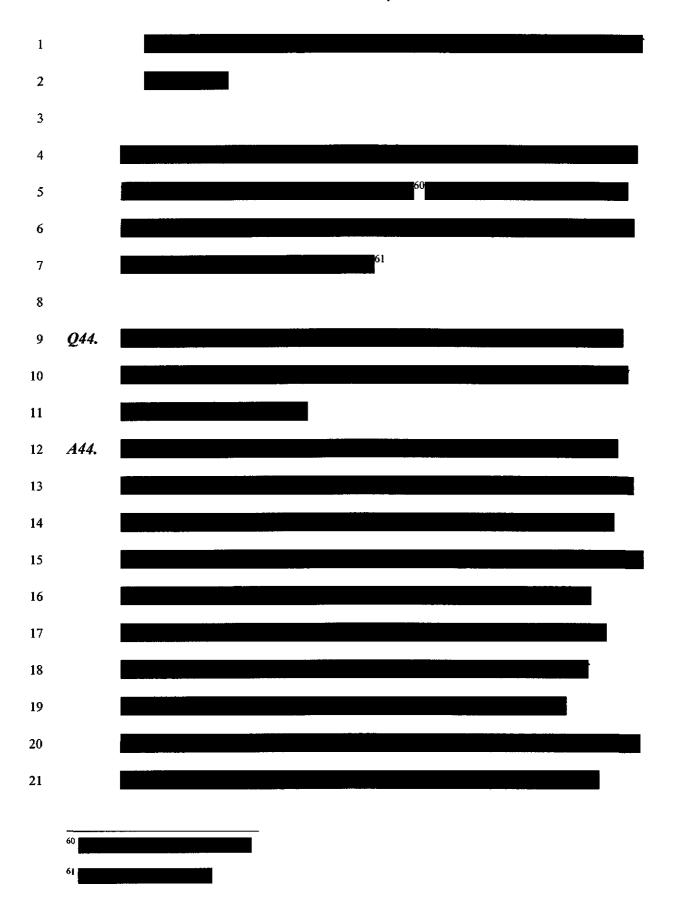


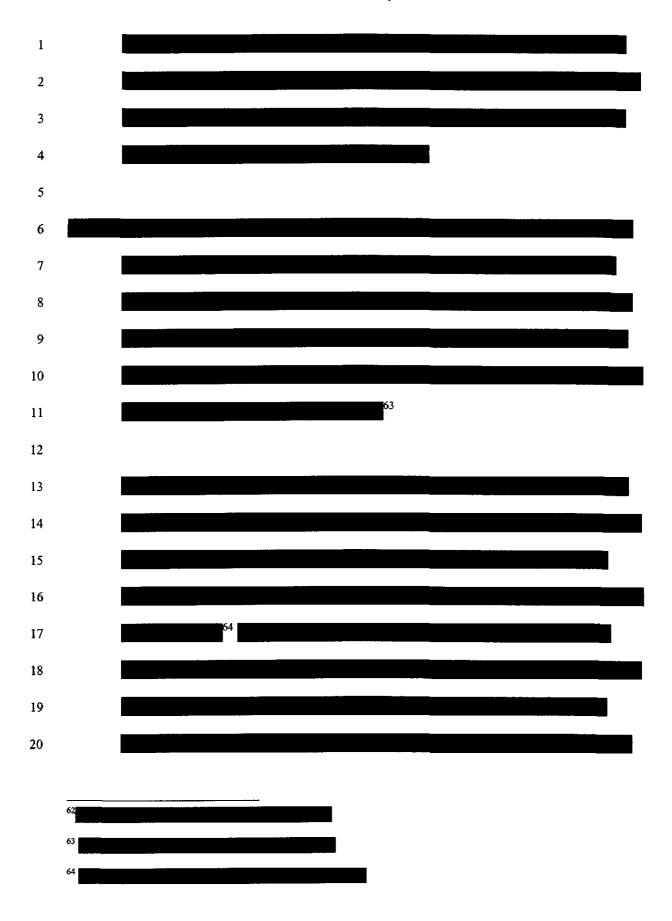


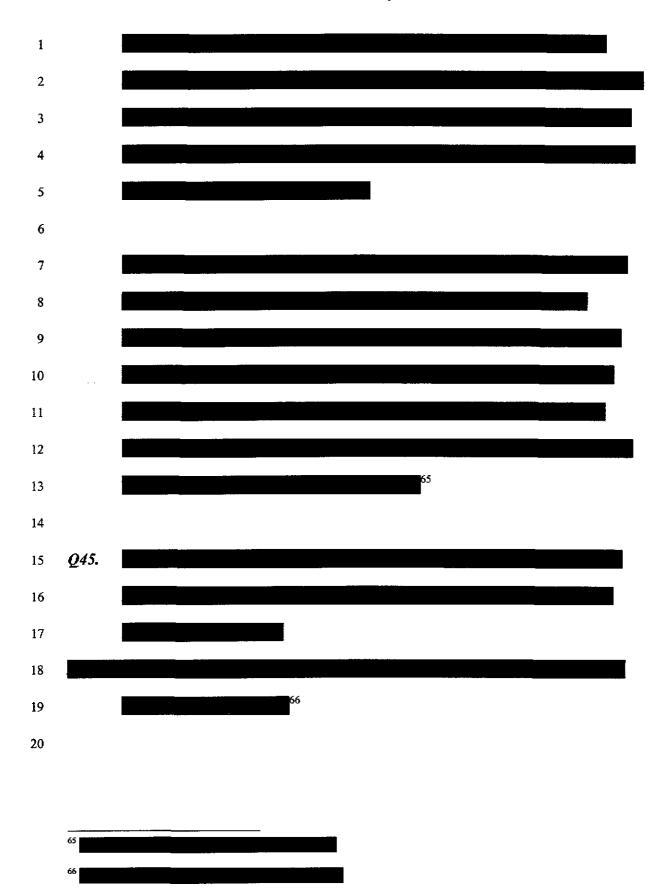


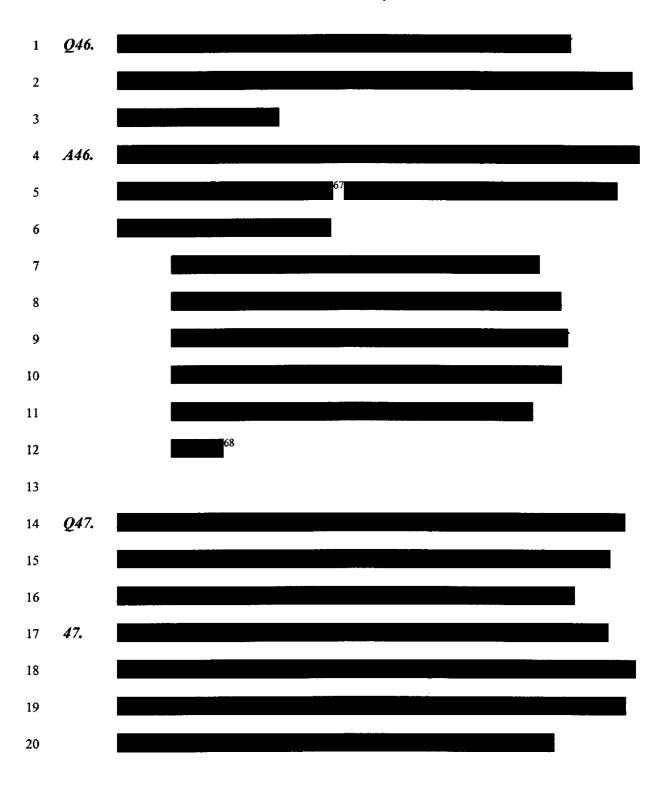


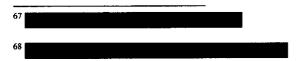


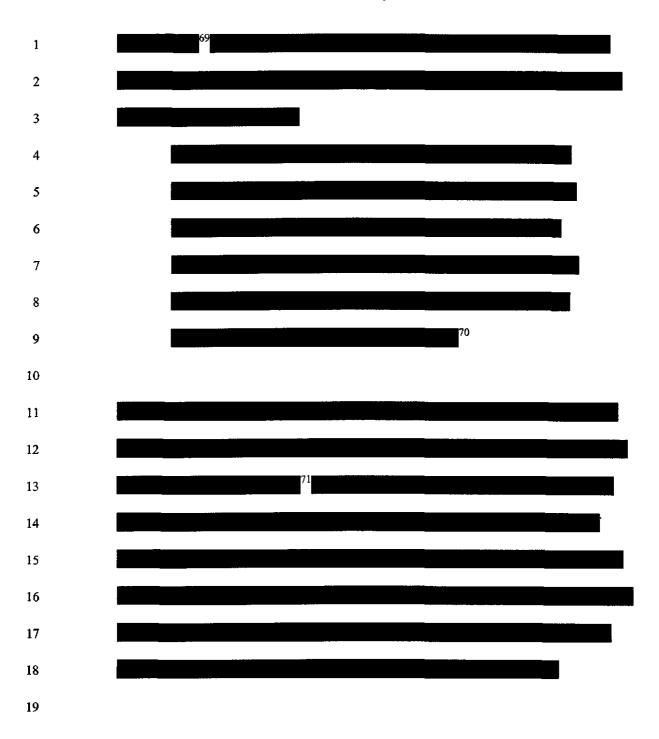




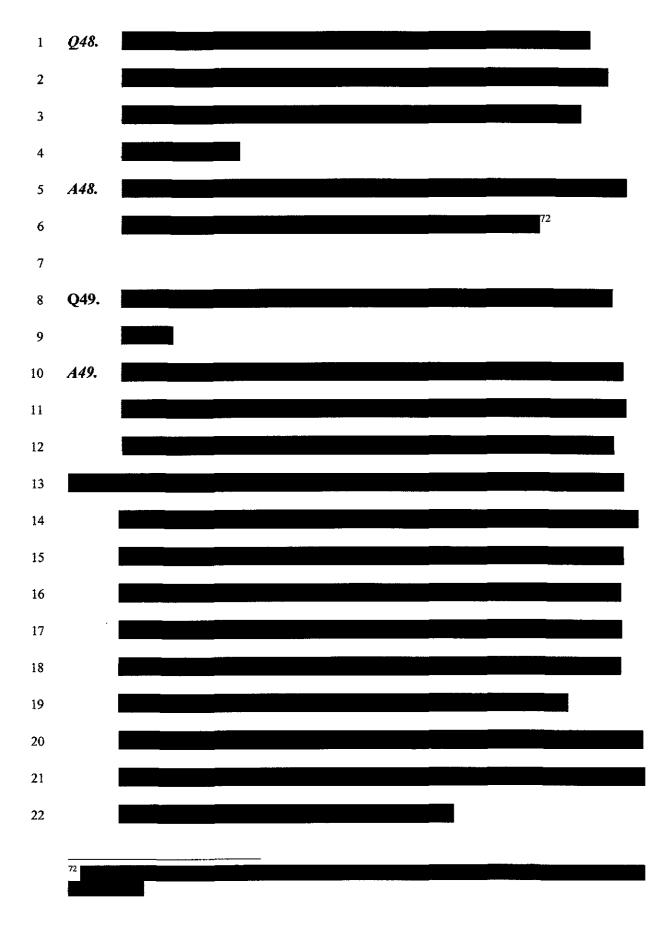


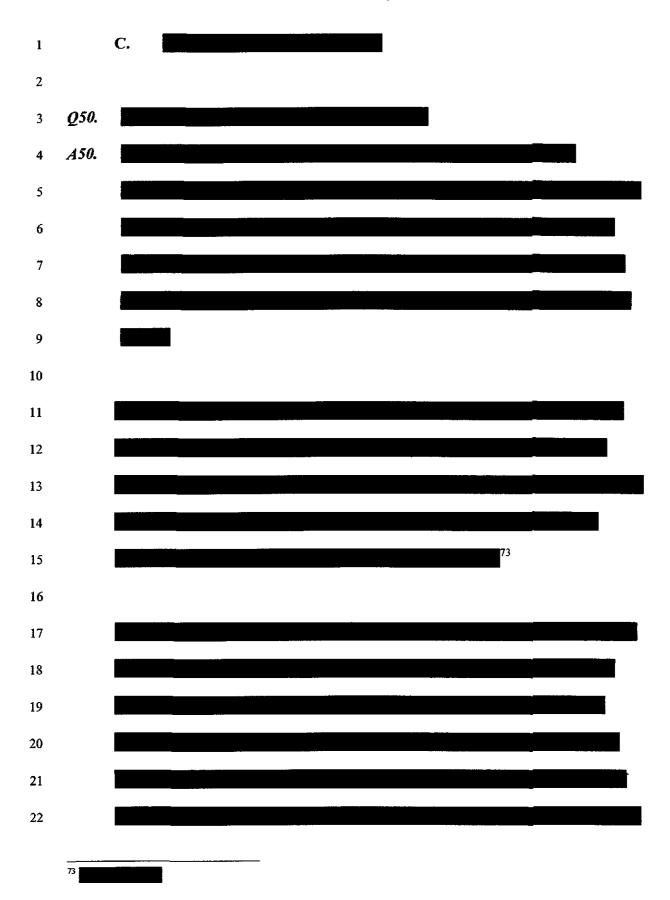


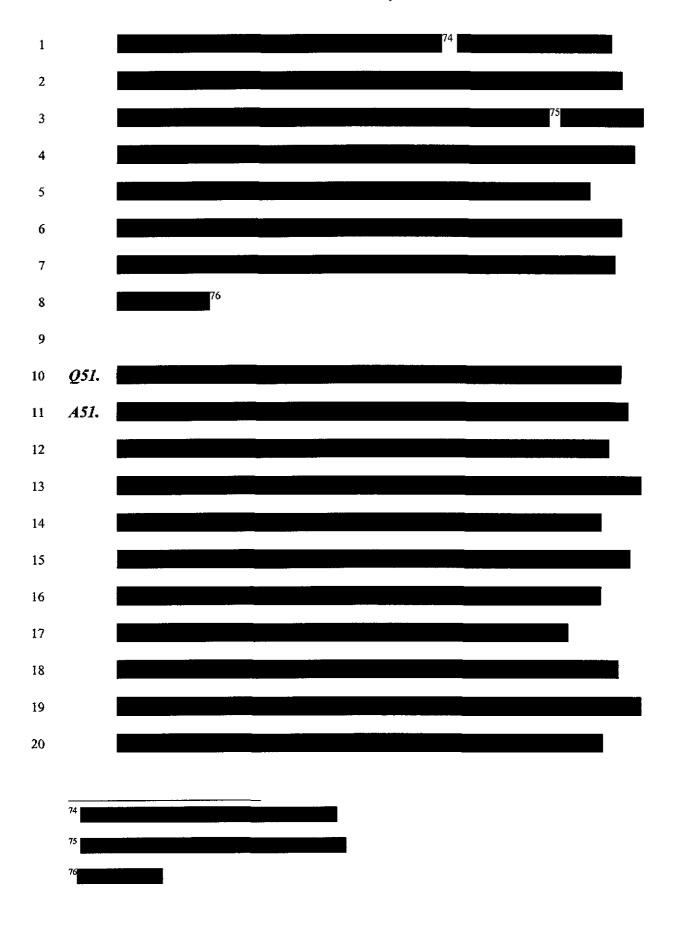


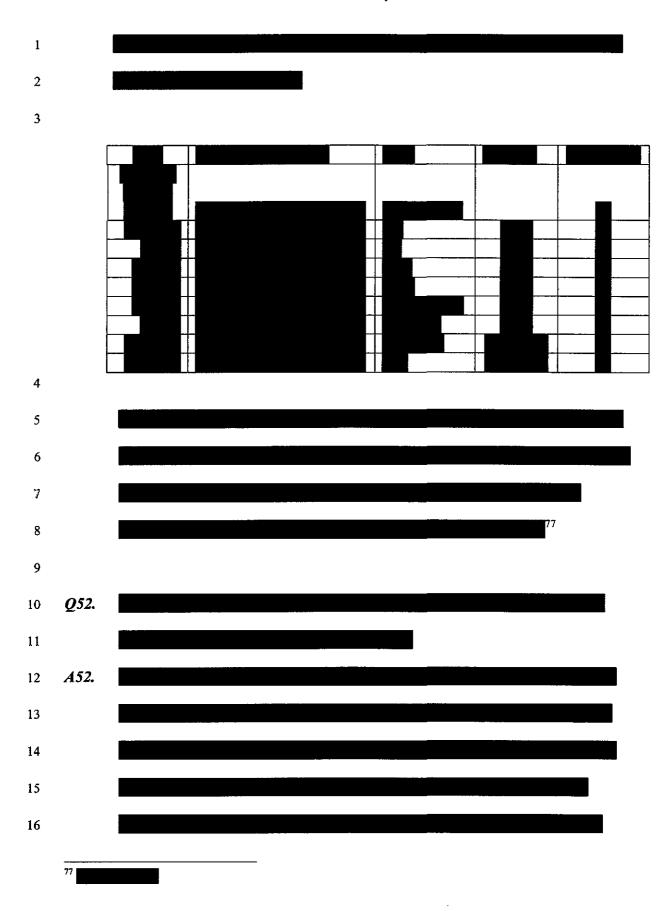


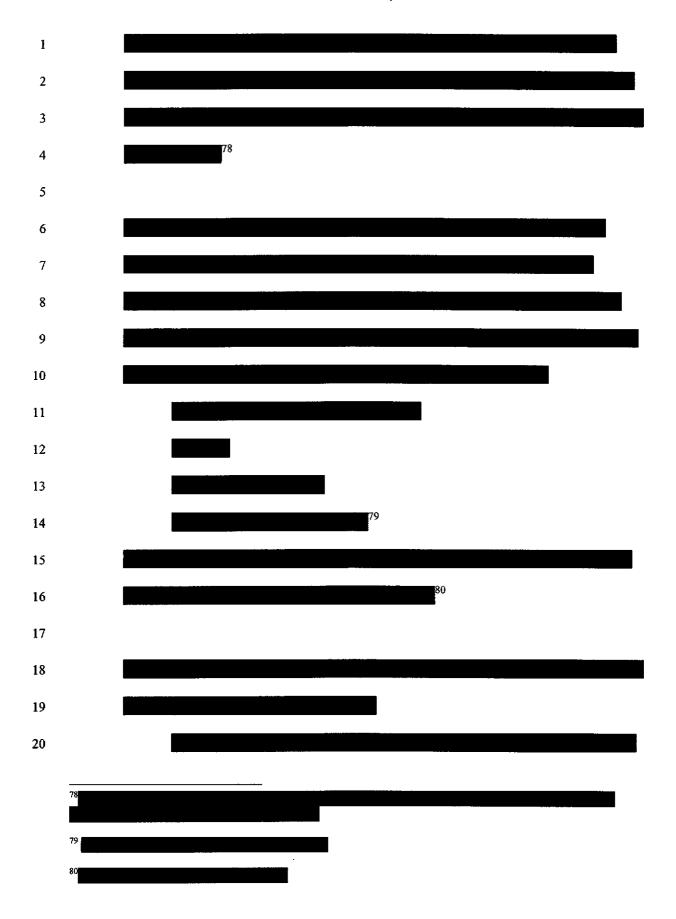


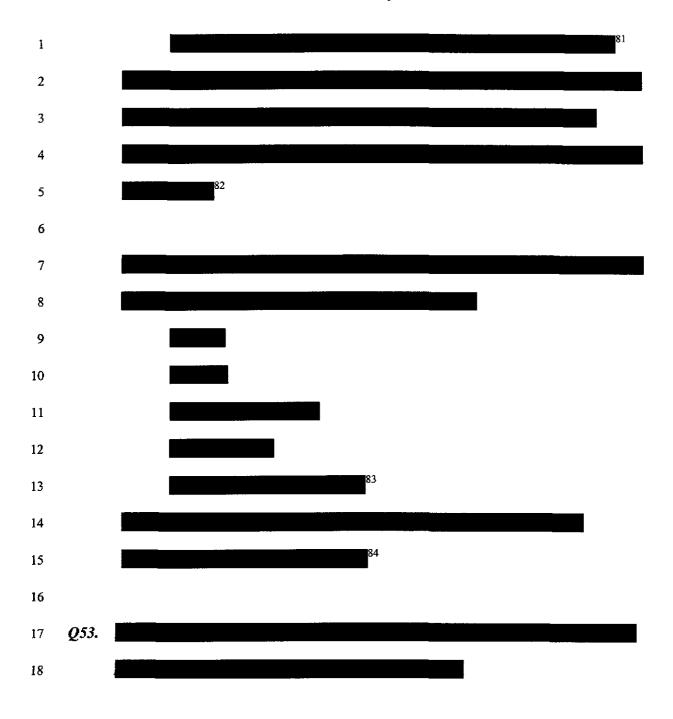




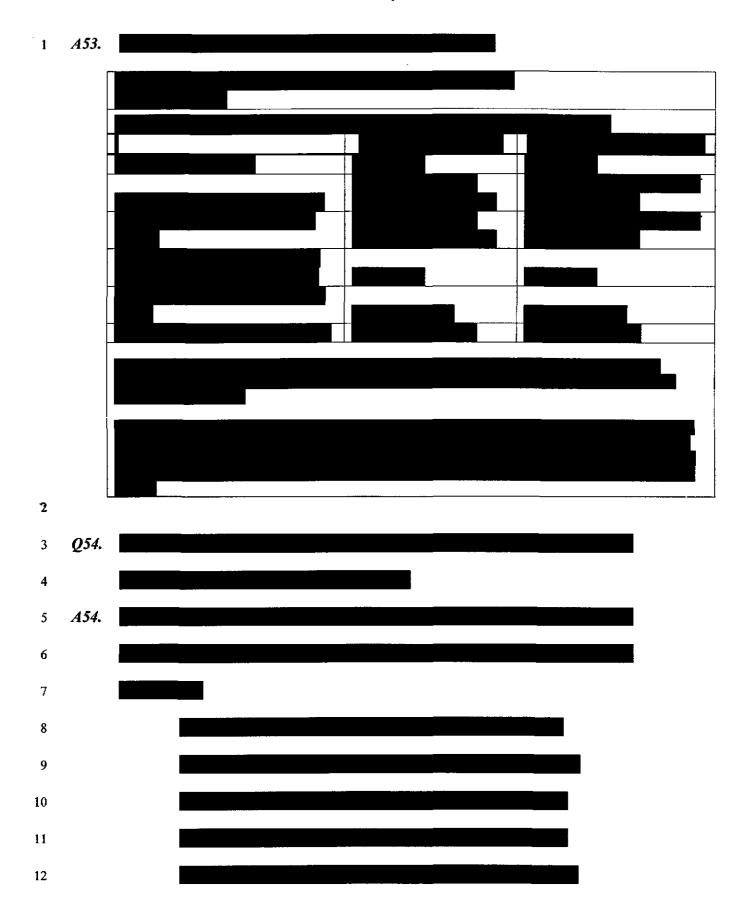


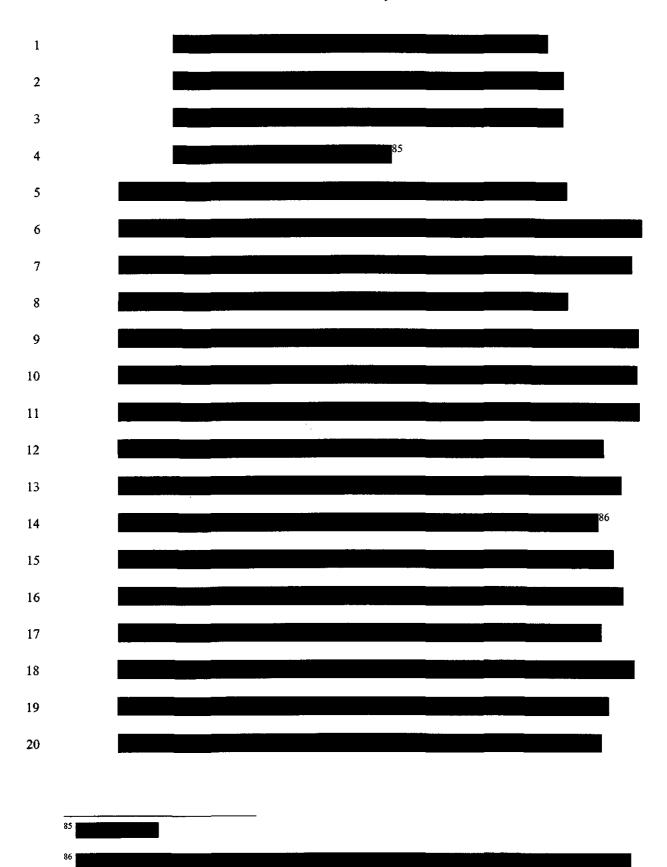


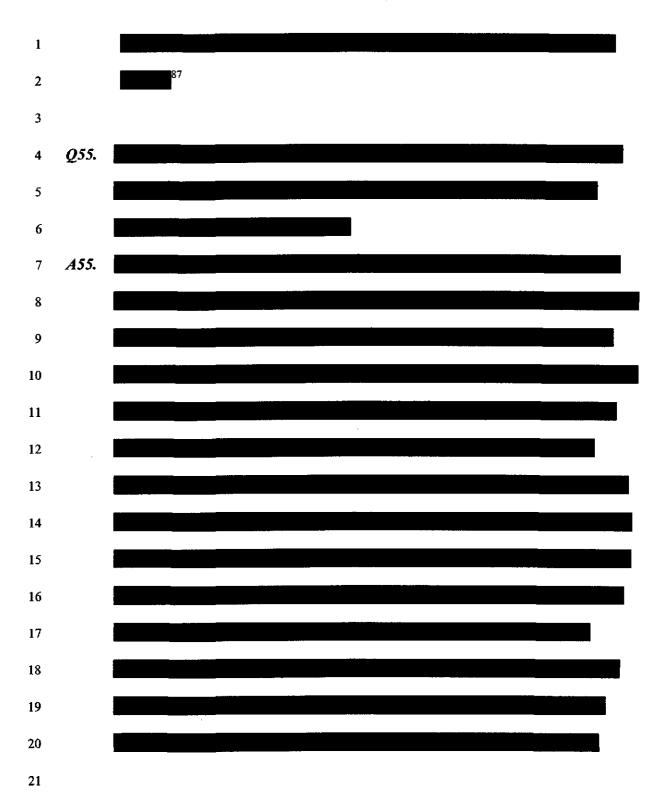




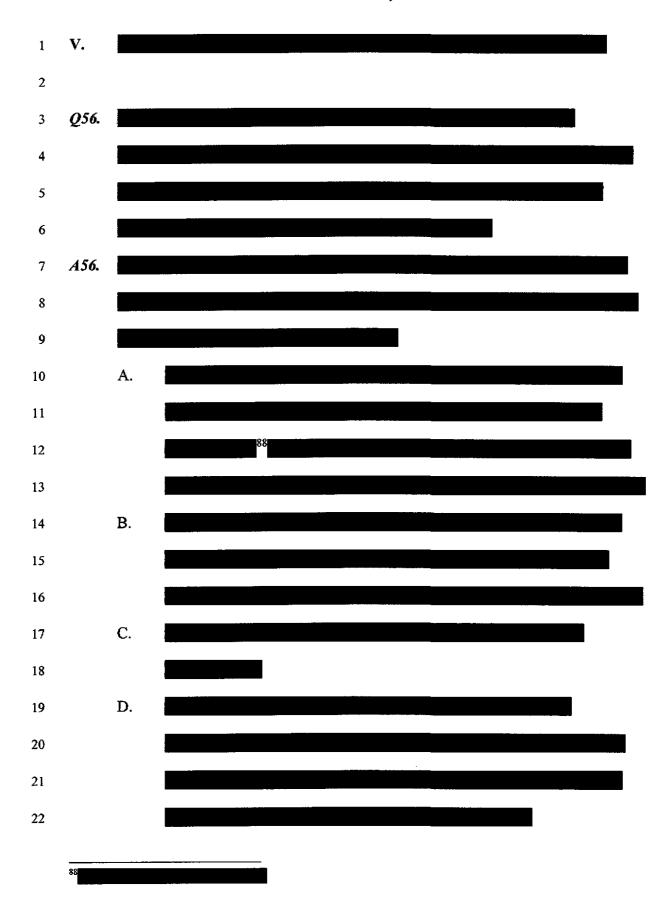


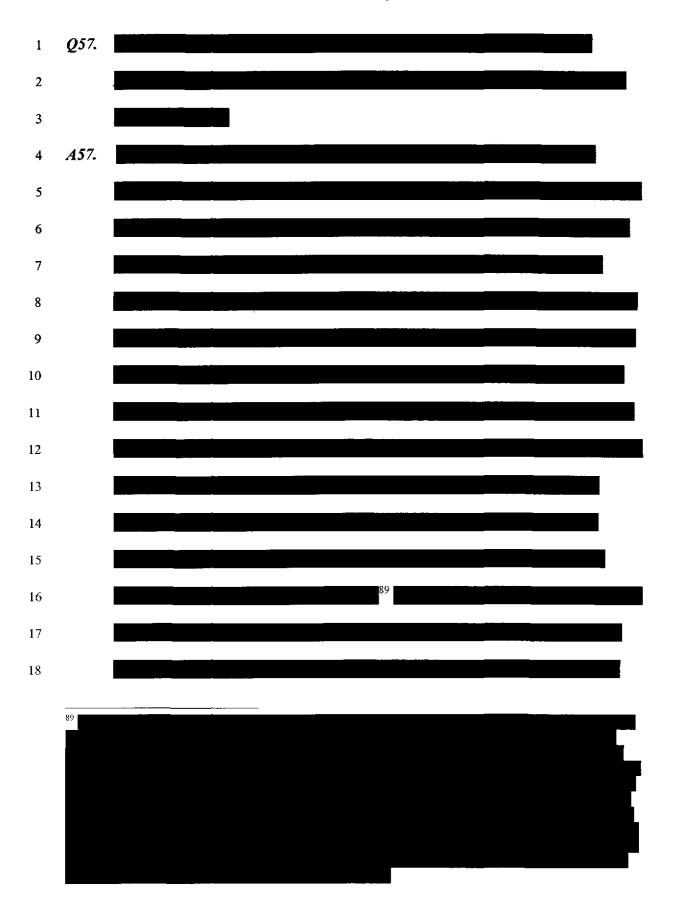


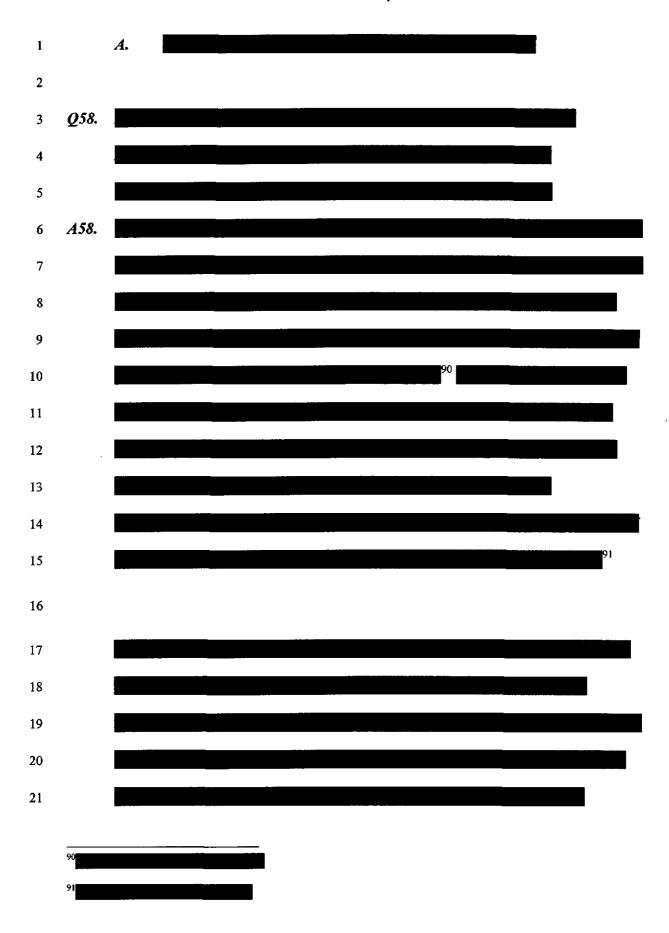


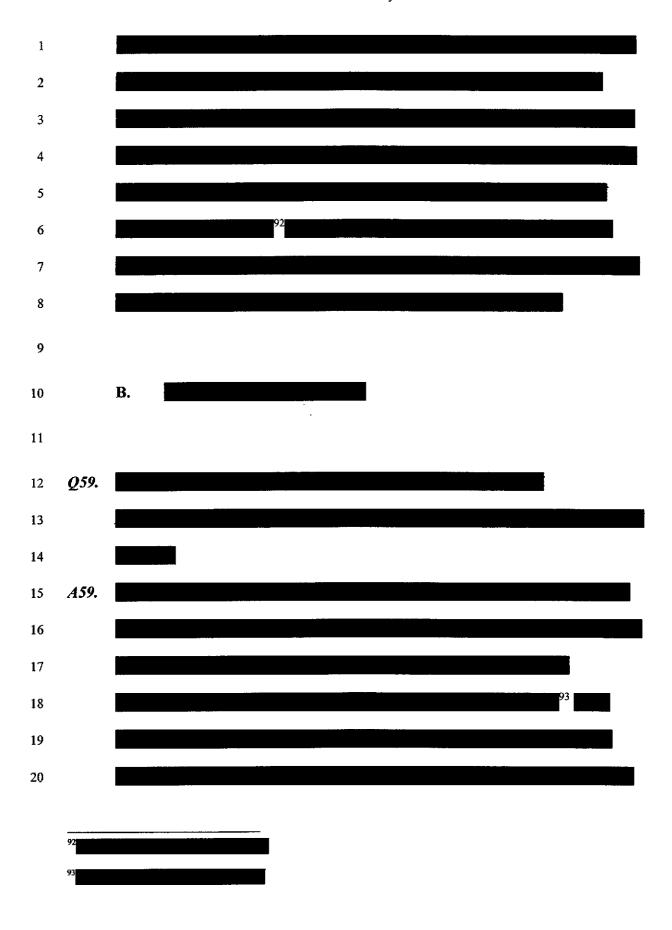


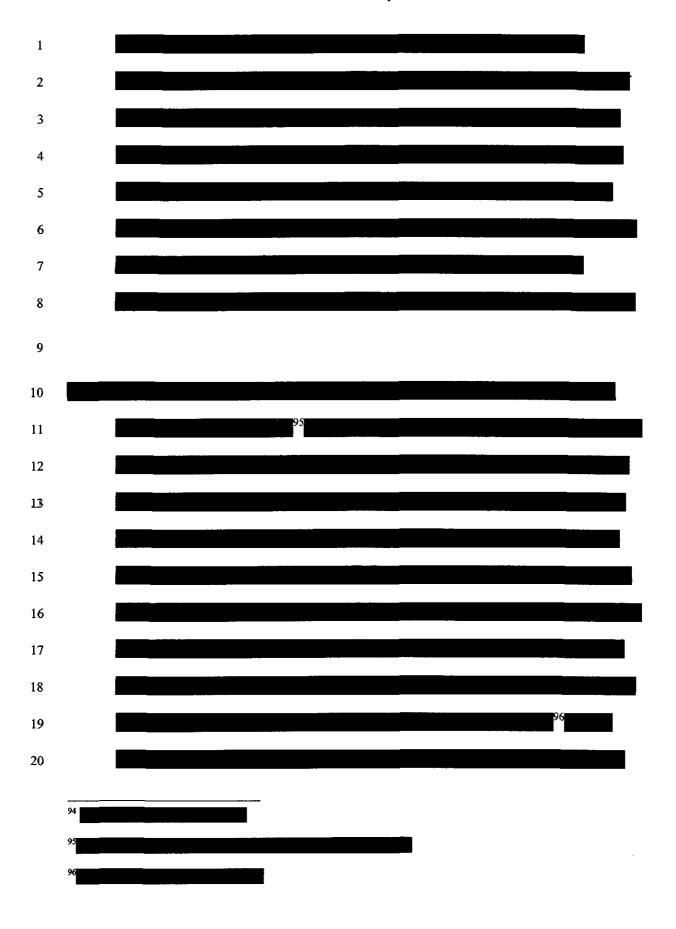


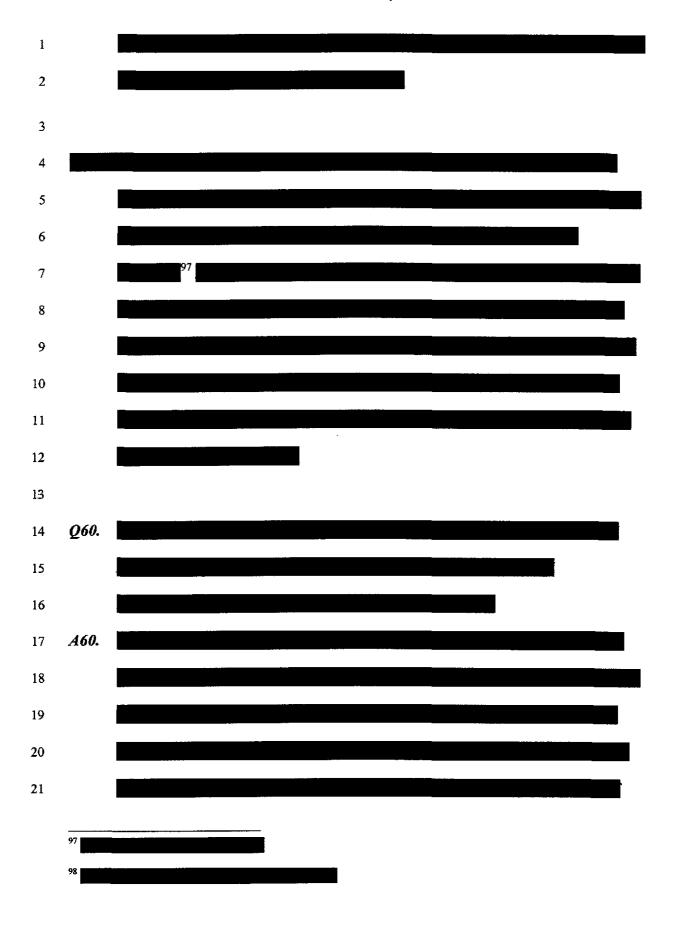


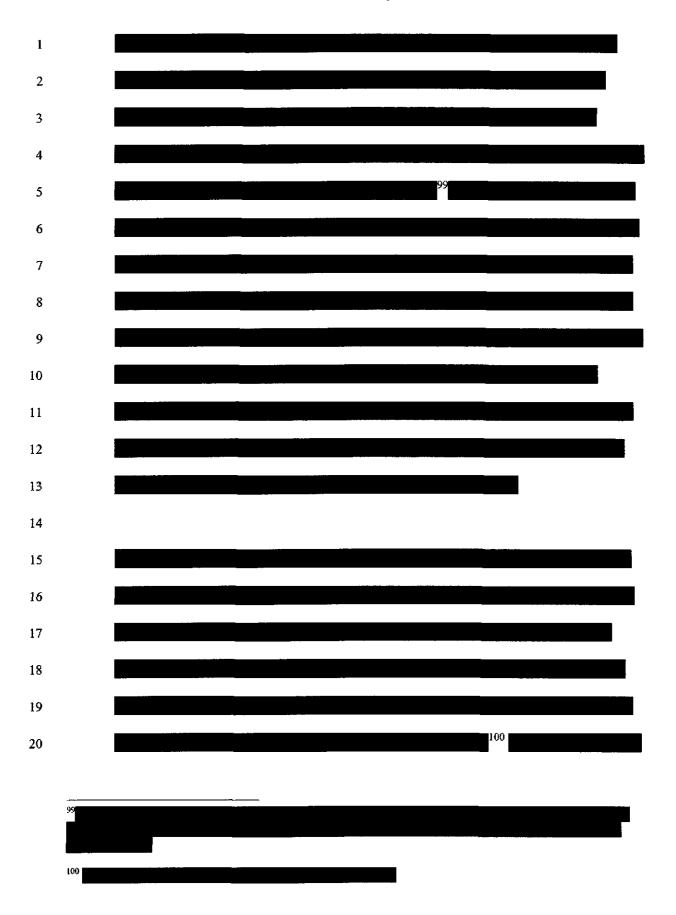


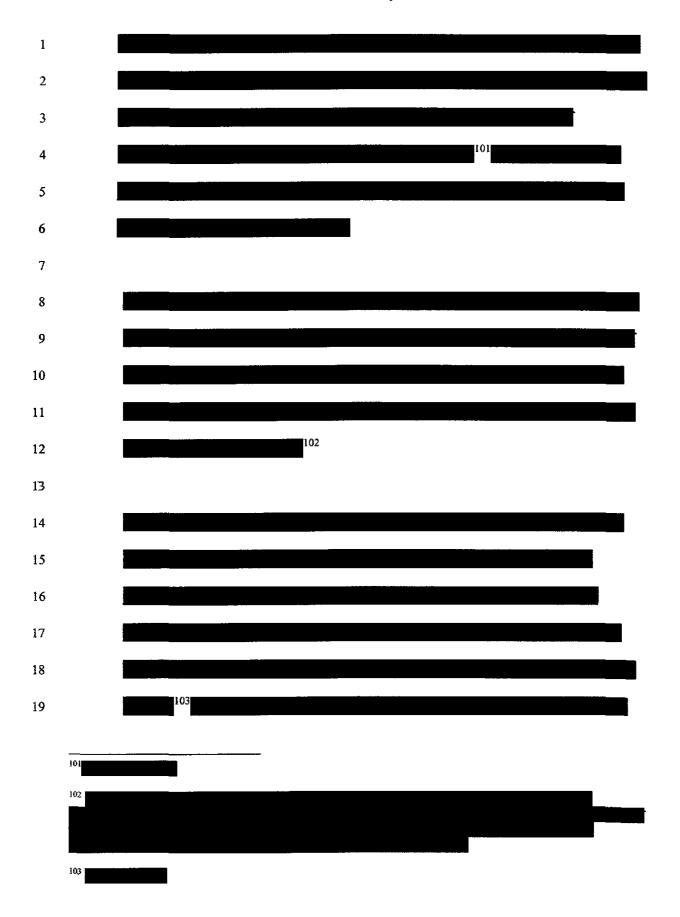




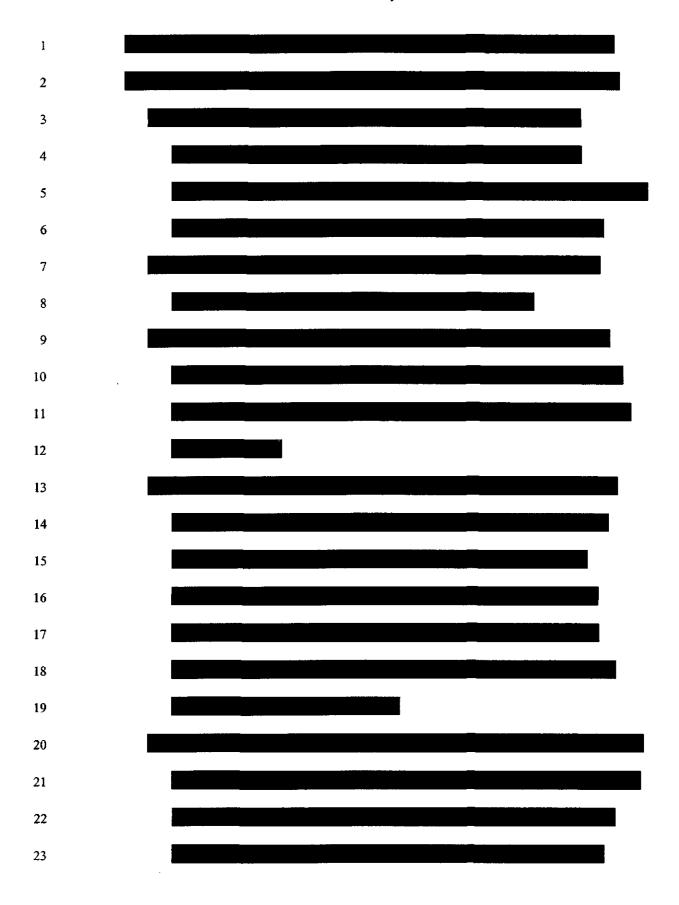


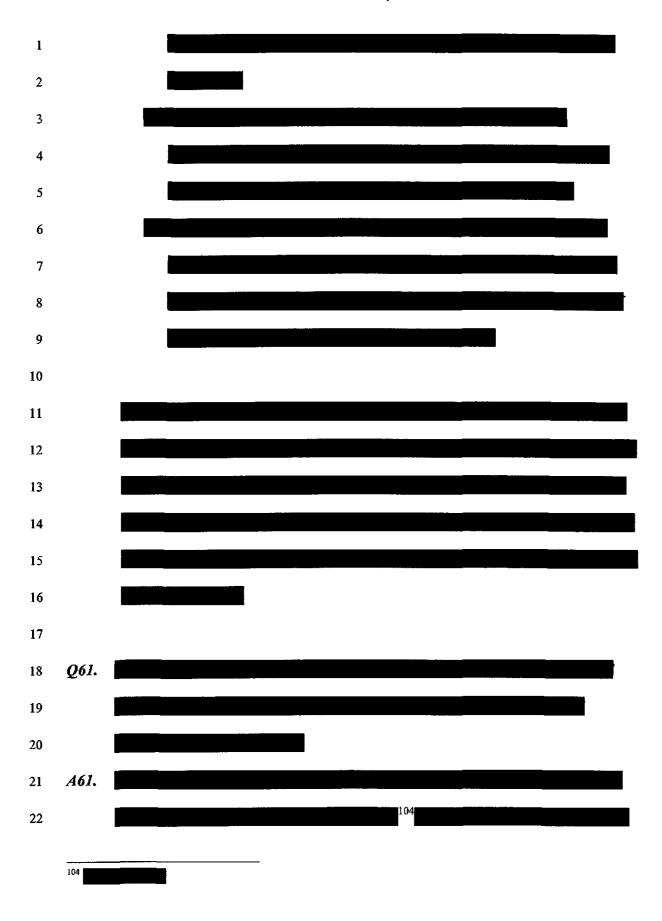


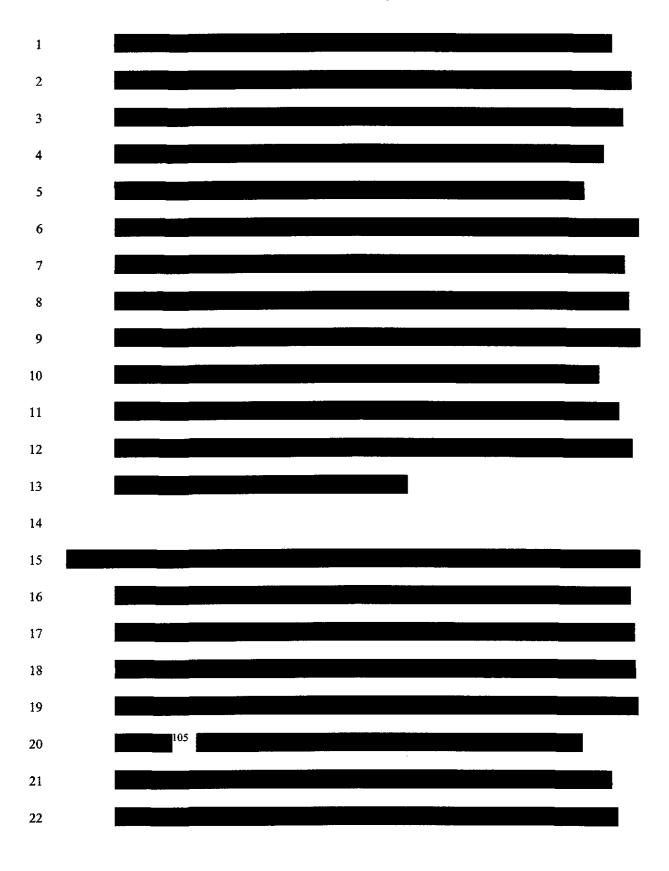




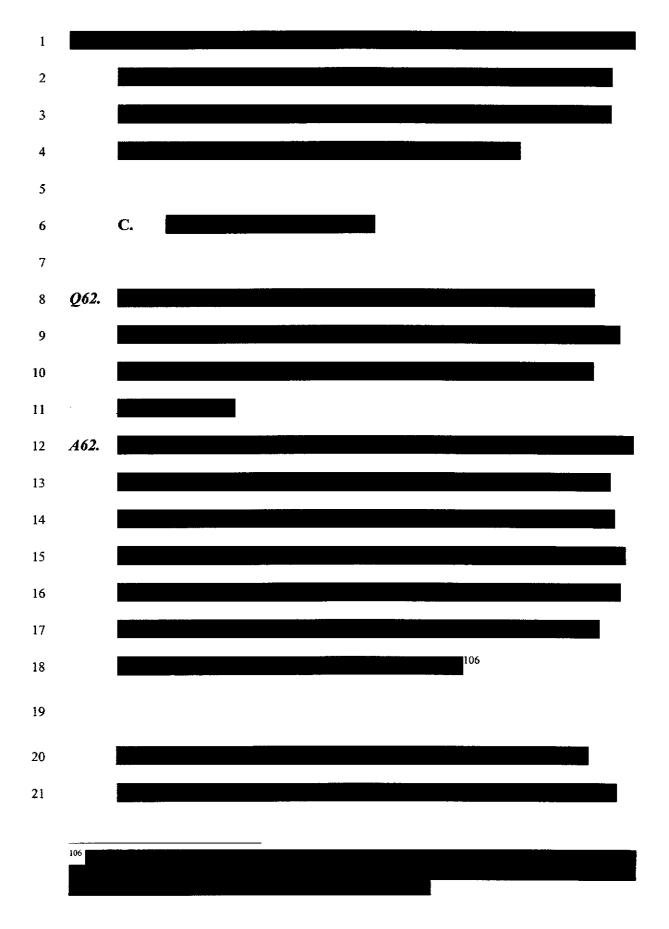
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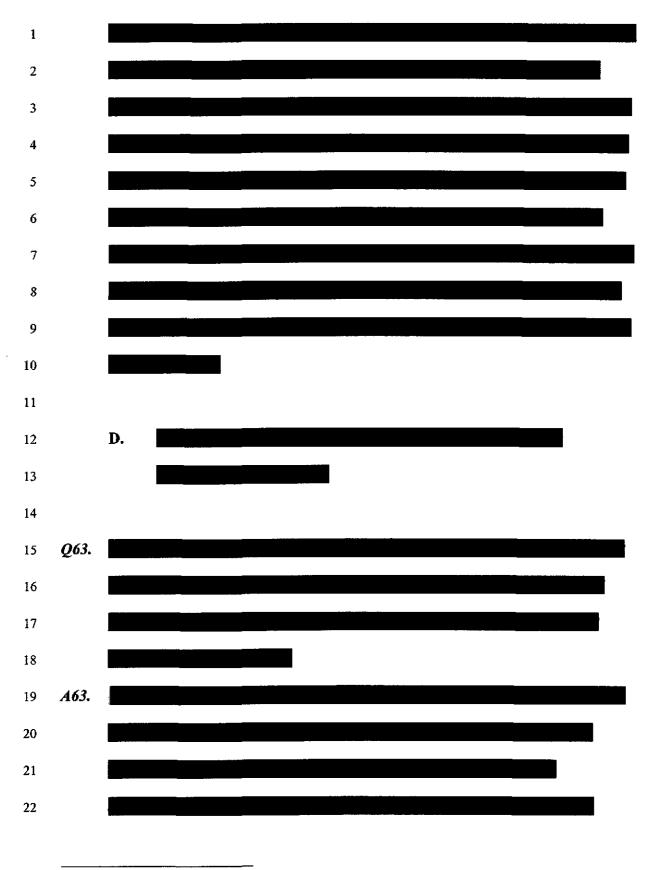




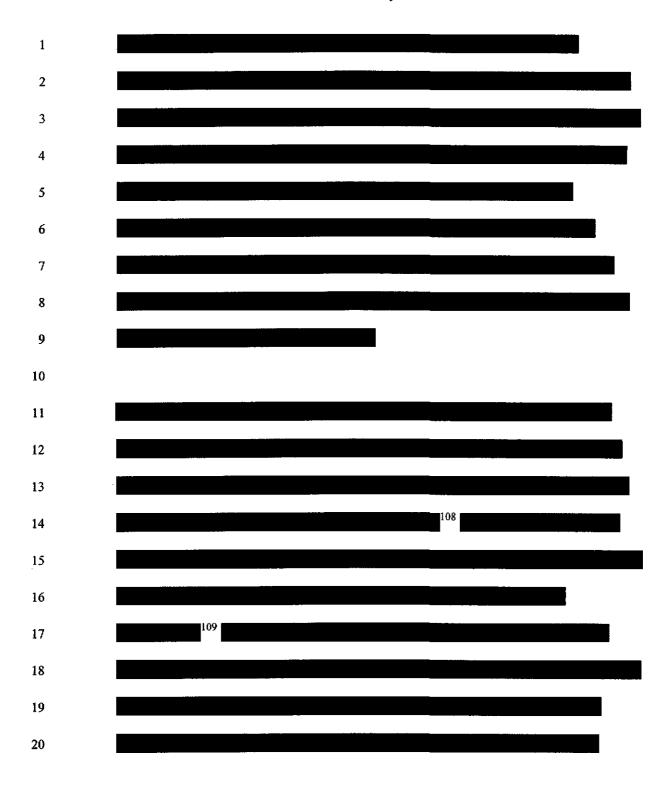


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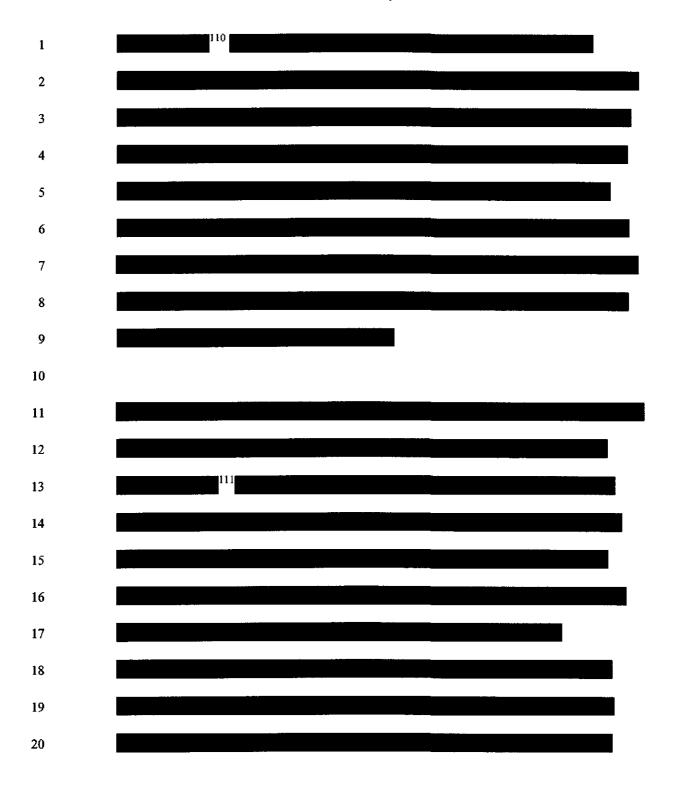


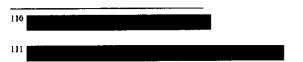


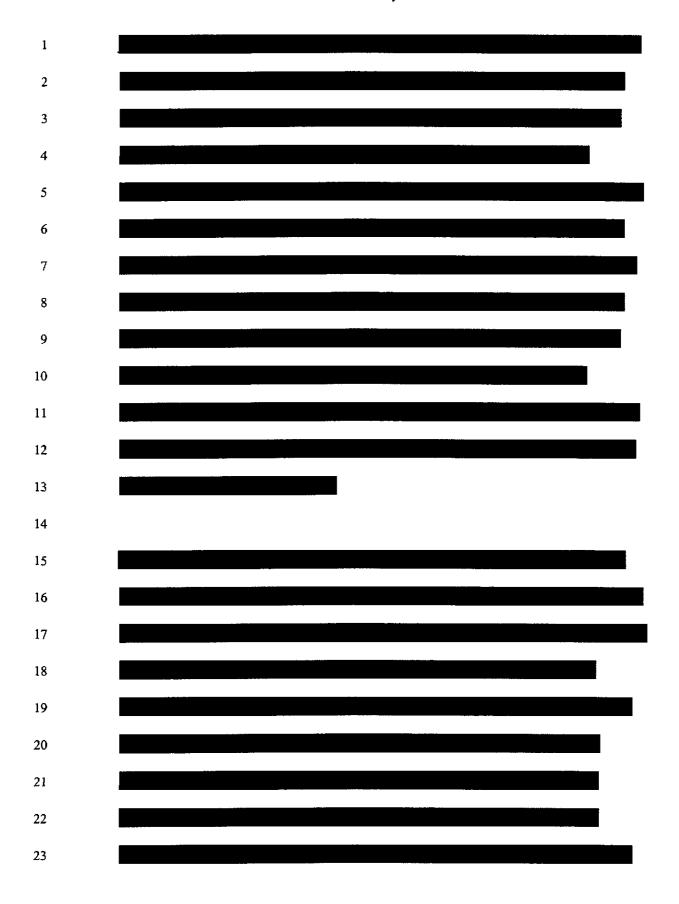
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9	VI.	CONCLUSION	
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11	Q64.	WHAT DO YOU RECOMMEND AS THE RESULT OF YOUR	
12		EXAMINATION AND ANALYSIS REGARDING THIS CASE?	
13	A64.		
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15		Finally, the Commission should adopt a post-MDP generation pricing plan for
16		DE-Ohio based upon the recommendations of OCC witness consultant Neil
17		Talbot.
18		
19	Q65.	DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?
20	A65.	Yes. However, I reserve the right to incorporate new information that may
21		subsequently become available.
22		

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Testimony of Beth Hixon was served electronically on the persons listed on the electronic service list shown below (as supplemented for this pleading), provided by the Attorney Examiner, this 9th day of March 2007.

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ATTACHMENT 1

Beth E. Hixon Utility Testimony

As an employee of the Office of the Ohio Consumers' Counsel (OCC):

Company	Docket No.	Date	
Ohio Power	83-98-EL-AIR	1984	
Ohio Gas	83-505-GA-AIR	1984	
Dominion East Ohio Gas	05-474-GA-ATA	2005	
Dayton Power & Light	05-792-EL-ATA	2006	

As an employee of Berkshire Consulting Service:

Company	Docket No.	Date	Client
Toledo Edison	88-171-EL-AIR	1988	OCC
Cleveland Electric Illuminating.	88-170-EL-AIR	1988	OCC
Columbia Gas of Ohio	88-716-GA-AIR et al.	1989	OCC
Ohio Edison	89-1001-EL-AIR	1990	OCC
Indiana American Water	Cause No. 39595	1993	Indiana
	Office of the Utility Consumer Counsel		
Ohio Bell	93-487-TP-CSS	1994	OCC
Ohio Power	94-996-EL-AIR	1995	OCC
Toledo Edison	95-299-EL-AIR	1996	OCC
Cleveland Electric Illuminating.	95-300-EL-AIR	1996	OCC
Cincinnati Gas & Electric	95-656-GA-AIR	1996	City of
Cincinnati, OH			